

In Croatia, Impasse at the Serb-Croat Divide

By John Pomfret
Washington Post Service

MRKOVCI, Croatia — Clad in a mustard-yellow Italian suit and looking as though he had come a long way since his prewar days as a mechanic, Miomir Crnogorac smirked behind his huge beard when asked whether he believed the oil wells he manages in rebel Serbian territory would ever return to Croatian control.

"It's a joke," said Mr. Crnogorac, 34, who was recently appointed general manager of NIK, the oil company run by the Croatian Serbs.

"Our country is a reality," he said as secretaries scurried around his office and soldiers armed with automatic weapons patrolled outside. "We are only lacking one part — international recognition. We hope that comes soon."

Although a cease-fire has long since suspended the war in Croatia, there is little sign of a peaceful solution to bridge the deepest divide in the Balkans — between Croats and Serbs.

While Croatia and the Croatian Serbs have recently concluded a deal to restore some economic links and open a highway for the first time since fighting erupted in 1991, few United Nations

officials believe the agreement will lead to broader links.

As UN and international negotiators, backed by mediation from former President Jimmy Carter, focus their attention on resolving the 32-month-old war in Bosnia, Croatia and the Croatian Serbs, who occupy 27 percent of the country, remain in a tense stand-off.

Many observers predict that a resolution in Bosnia without sufficient attention to the tinderbox in Croatia would transport the war back here.

In recent weeks, Croatian and nationalist Serbian military leaders have exchanged threats. On Dec. 1, Croatian Army troops battled Serbian forces.

Several recent trips through Serb-held areas and Croatian proper revealed two worlds spinning rapidly apart. When it rains in Zagreb, umbrellas are opened. In Knin, the rebel capital, an AK-47 and a camouflage hood suffice.

Croatia, a nation of about 4 million, is throwing off its Communist past, privatizing industry and contemplating a future in the underbelly of Europe.

Serb-occupied Croatia, with about 500,000 people, is more like a giant armed camp, split into three pieces — an oil-rich swath of land along Croatia's border with Yugoslavia, a triangle bor-

dering Serb-held territory in northern Bosnia, and a long stretch of land parallel to Croatia's Dalmatian Coast. Everything, from NIK's oil wells to substantial wheat and meat production, goes to the army.

Phil Corwin, the chief of the UN civil affairs operation in eastern Slavonia, the Serbian area that borders Yugoslavia, said of the Croatian Serbian world: "More pigs than people, more guns than pigs."

Colonel Kosta Novakovic, acting commander of Croatian Serbian forces in the city of Vukovar, was more precise: "We don't have a professional army, so all of our inhabitants are in the army. That is a big difference with Croatia."

Serbs began moving to Croatia in the 13th and 14th centuries. The migration intensified after the defeat of the Serbs in the famed battle of Kosovo Polje in 1389 at the hands of Ottoman Turkish forces.

Under a deal with the Croatian kings, the Serbian refugees were permitted to settle the rock-strewn border region between the Croatian kingdom and the Turks. As such they earned the sobriquet *krajina*, or border, Serbs.

Famed for their toughness and ability to live in some of the harshest conditions

in Europe, the Serbs developed a reputation as good fighters and better thieves.

In 1991, opposing Croatia's declaration of independence from Yugoslavia, they proclaimed themselves a state and with the Yugoslav Army's help, pushed Croatian forces back.

The Serbs appear to have a better idea of what they want than does the Croatian government. While Croatia continually demands the return of its occupied territory, its leaders still do not appear decided on the best course of action.

General Janko Bobetko, 74, commander of the Croatian Army, backed a military solution to reunite Croatia within its UN-recognized borders. But at the same time he also repeated Croatia's concerns that the West would criticize an attack.

"We're tired of waiting for the West to help us recover our territory," he said. "At a certain point, we've got to go it alone."

A UN military officer said General Bobetko's remarks reflected Croatia's fears that it was not strong enough to beat the Serbs, as well as a desire on the part of the Croatian leadership to be accepted by Europe.

Troops Beat Palestinian Official in West Bank

The Associated Press

AL KHADER, Israeli-Occupied West Bank — Israeli troops battling Palestinians protesting the expansion of a Jewish settlement knocked a Palestinian official unconscious on Tuesday.

"This is the graveyard of the peace process," said Saeb Erekat, minister of local government in the Palestinian self-rule authority, after he had regained consciousness.

"Rabin must decide whether to have the peace or the settlements," he said, referring to Prime Minister Yitzhak Rabin. "We cannot accept this."

Four other people were injured in the scuffle, and 45 were arrested.

The confrontation between Mr. Erekat and the troops started when he joined a group of villagers trying to block Jewish settlers from uprooting olive saplings planted as a protest against expanding the settlement of Efrat.

Dozens of soldiers and border policemen surrounded the demonstrators and began beating them with their fists and rifle butts. Mr. Erekat was knocked to the ground and dragged away.

The chairman of the Palestine Liberation Organization, Yasser Arafat, issued a statement condemning Israeli soldiers for working with settlers.

Leftist Israeli ministers supported stopping the expansion.

"You cannot negotiate with the Palestinians and at the same time to create an impression that we are taking lands from the Palestinians and establishing settlements on them," said Environment Minister Yossi Sarid.

WORLD BRIEFS

3 Criminals Are Executed in Beijing

BEIJING (AP) — Eight murderers, robbers and thieves were executed in Beijing on Tuesday, the official press reported.

The Beijing Evening News said the eight executions were for "particularly odious" crimes that had hurt society and angered the masses. The brief report listed the criminals' names and convictions but gave no details of their crimes.

The People's Public Security News said that by November the Beijing police had solved more than 10,000 crimes, captured more than 300 fugitives and confiscated "a batch" of firearms. No comparative figures with previous years were available, but anecdotal evidence suggests that crime is on the rise.

Neo-Nazi Suspects Held in Germany

HANAU, Germany (AFP) — About 20 suspected neo-Nazis have been arrested in central and southern Germany recently in connection with several politically motivated offenses, the police said Tuesday.

Police raids on suspects' homes in the central state of Hesse and in Bavaria in the south yielded stocks of weapons, ammunition and bomb-making equipment as well as propaganda material.

The suspects, most of them youths or teenagers, are believed to have been involved in attacks on hostels for asylum-seekers or on a synagogue.

U.S. Urged to Block Arms to Turkey

WASHINGTON (AP) — A major human rights group is asking Secretary of State Warren M. Christopher to block the sale of U.S. cluster bombs to Turkey on the grounds that they might be used against Kurdish civilians.

In a letter to Mr. Christopher released Tuesday, Human Rights Watch also urged tighter controls on future U.S. arms transfers to Turkey. It wants to see written guarantees that the arms would be used "only in NATO contingencies or with the prior approval of the U.S. government."

Human Rights Watch accused the Turks of attacking Kurdish villagers in the guerrilla war. Alliant Techsystems of suburban Minneapolis signed a contract June 21 to sell 43 CBU-87 cluster bombs to Turkey for an estimated \$7 million to \$8 million and the export license awaits State Department approval.

League Rejects Berlusconi Appeal

ROME (Reuters) — The federalist Northern League, which last week toppled outgoing Prime Minister Silvio Berlusconi, on Tuesday rejected his calls for immediate general elections and said it wanted a nonpartisan government.

"We are all agreed on a solution which we have called 'the government of the president': one that is open to all," said the League's institutional reforms minister, Francesco Speroni, after a meeting of the party's members of Parliament.

The apparent show of unity among the League members may be bad news for Mr. Berlusconi, who had hoped that about 40 rebels within the party would help him form a new government or back his calls for elections. Post and Telecommunications Minister Antonio Marano said the party had agreed on the need for a broadly based nonpartisan government to pass institutional reforms, such as changes in the voting system.

Chinese Strengthen Ties With Burma

RANGOON (Reuters) — Prime Minister Li Peng of China discussed border and economic issues with his Burmese counterpart on Tuesday on the second day of a visit aimed at sealing ties with the Burmese military regime.

Chinese officials said they were satisfied with the development of border trade with Burma, and the two governments urged the state and private sectors to expand trade links, a Chinese spokesman said.

Mr. Li and General Than Shwe, chairman of the State Law and Order Restoration Council, which came to power in 1988 after suppressing pro-democracy protests, also discussed joint efforts to combat drug trafficking. China has supported Burma's foreign criticism for human rights abuses and is its main trading partner and arms supplier.

U.S. Troops Guard Haitian Army Site

PORT-AU-PRINCE, Haiti (AP) — U.S. soldiers and tanks occupied a main plaza Tuesday facing army headquarters, where four Haitians died in a fire fight after former soldiers stormed the building to demand back pay.

Later Tuesday morning, U.S. soldiers used tear gas to disperse a crowd that attacked two houses near Haitian Army headquarters. Scores of youths and boys began tearing apart a two-story wooden home behind army headquarters, claiming that Haitian soldiers used it to hide guns. Local businessmen said soldiers had lived there and in an adjacent cement home.

A total of 12 journalists and 5 other members of news teams were also killed in accidents while doing on-the-spot reporting.

More than half of all journalists died while reporting on the ethnic unrest in Rwanda and on Algeria's violent showdown between Muslim fundamentalists and the military-backed government; 48 journalists from the ethnic Hutsu and Tutsi died in the Rwanda conflict, while in Algeria 19 journalists were killed, according to a federation.

Moreover, last year's cancellation of the largest fundamental science project in history, the Superconducting Super Collider, though motivated by budget overruns, was perceived by many in the scientific community as a sign that Congress was prepared to sacrifice fundamental research.

Prospects for basic science in the 104th Congress are unclear. Support for science as a whole has generally not divided along partisan lines, but because not all the science subcommittees have new leaders yet, it is not evident how science and especially basic science might fare.

"The present scene is disturbing," said Edward E. David Jr., who served as President Richard Nixon's science adviser, later headed Exxon Research and Engineering and now runs his own consulting firm. Mr. David told a science policy symposium last winter that the struggle for control of the U.S. scientific agenda was between scientists on the one hand and "politicians and social engineers" on the other.

For the Record

Walter Sisulu, 83, one of President Nelson Mandela's closest advisers, is seriously ill, the South African Press Association said Tuesday. Mr. Sisulu spent 26 years in prison with Mr. Mandela for plotting to overthrow the white minority government. (AP)

TRAVEL UPDATE

Iberia Pilots Cancel Planned Strike

MADRID (Reuters) — Pilots of Iberia Air Lines of Spain called off a threatened 12-day strike Tuesday after last-ditch talks with the company.

A joint statement from the pilots' union, SEPLA, and Iberia said the two sides had reached agreement on salary cuts that allowed the strike, due to start at midnight, to be called off. It did not give details of the agreement on salary cuts. The pilots had called the strike to protest a tough wage- and job-cuts plan designed to save the unprofitable airline from bankruptcy.

On Friday, drivers employed by the national rail network are due to strike and severely disrupt traffic before the New Year weekend. In Madrid on Wednesday and Friday, employees of the Metro plan to strike for two hours, and employees of the urban bus service are to strike Thursday, Friday and Saturday.

Tourism has been hammed in Egypt's desert regions for five years to protect endangered species of animals, Tuesday's editions of Al Ahram daily reported.

Egyptian truckers erected road blocks around the southern city of Mons to protest a highway tax. As many as 200 trucks were used for the protest in the home town of Transport Minister Elie Di Rupo, Belgian radio said.

Amsterdam will rebuild its cruise ship passenger terminal, a city spokesman said, adding that work on the 30 million guilder (\$16.5 million) project should start within 18 months. (AP)

2 Bosnian Troops Hurt in Bihać Despite Truce

The Associated Press

SARAJEVO, Bosnia-Herzegovina — Two government soldiers were wounded in fighting in northwestern Bosnia despite United Nations efforts to broaden a cease-fire, officials said Tuesday.

The UN commander for Bosnia, Sir Michael Rose, met the Bosnian vice president, Ejup Ganic, and made plans to visit the troubled northwestern Bihać region.

Continued attacks on government forces in the region by rebel Serbs from Croatia and renegade Muslim forces have threatened a truce that took effect Saturday.

During a half-hour of inconclusive talks with General Rose, Mr. Ganic said he had insisted that Croatian Serbian troops be withdrawn from the Bihać enclave.

Mr. Ganic said he had reiterated to General Rose a Bosnian government demand that UN peacekeepers take control of the border between Croatia and Bihać to stop infiltration by rebel Croatian Serbs and allied Muslim separatists fighting government troops.



'TIS THE SEASON FOR A DEAL — A line of bargain-hunters waiting in front of an Oxford Street store on Tuesday in London as merchants throughout Britain started the country's annual tradition of post-Christmas sales.

Basic Science Losing Out to Bottom Line in U.S.

By Boyce Rensberger
Washington Post Service

WASHINGTON — Of all the forms of research, the most misunderstood by the public and by politicians is basic science, scientists say. But it is the kind of research that built the knowledge base underlying all the practical benefits that society has realized from technology.

And yet, it faces repeated challenges as a luxury the United States can no longer afford. As recently as last year's congressional budget-making process, a Senate science committee told the National Science Foundation, which was established to support basic science, to divert more of its money to applied science, which promises immediate practical results.

In response, numerous scientists tried to explain that without basic science to enlarge the body of knowledge, science

cannot continue to produce practical benefits.

The bottom line has always been that the more we understand the nature of the physical universe, the better we are able to use matter and energy in useful ways," said Robert Hazen, a scientist at the Carnegie Institution of Washington.

Basic science, which also goes by such names as fundamental research and pure science, is the type of research aimed simply at learning more about how nature works, be it the insides of stars and atoms or the behavior of cells and proteins. Its directions are dictated chiefly by what scientists find interesting.

This kind of research, sometimes called curiosity-driven science, can appear to be the most indulgent of luxuries: getting a government grant to do whatever you want to do. Ask most basic researchers why they work long hours for low pay, and they will tell you how exciting it is to probe the most intimate workings of the natural world and to discover something that nobody even knew.

For several decades, this is exactly what thousands of American scientists have been doing. They are supported by tax dollars not to work specifically on any of society's problems or even to develop a product that will make money, but to pursue their own curiosity. In 1993, the government spent an estimated \$16.5 billion for this purpose; most of the money being disbursed by the National Institutes of Health and the National Science Foundation.

In the past, such expenditures prompted only occasional challenges. A decade ago, for example, then-Senator William Proxmire, Democrat of Wisconsin, made a sarcastic ritual of giving "Golden Fleece" awards to scientists who had won grants for research projects whose titles seemed frivolous.

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THE AMERICAS /

Privatize Government? A Bold Idea's Mixed Success

By David E. Sanger
New York Times Service

WASHINGTON — The Democrats have spent 60 years increasing the size and the power of the federal government, but as President Bill Clinton looks for ways to pay for his middle-class tax cuts he is turning to a tactic drawn from the Republican playbook: selling off some government properties and functions and turning a number of agencies into private corporations.

The strategy would gladden the hearts of politicians with whom Mr. Clinton shares little ideological kinship, including former President Ronald Reagan, who tried privatization and largely failed, and Margaret Thatcher, who as prime minister of Britain was far more successful at turning government agencies into private enterprises.

But while such proposals have a nice ring in Washington these days, the fact is that government experience with bringing market discipline to bureaucracy has been mixed.

For every success story like Fannie Mae, the Federal mortgage underwriter that ran a profit of nearly \$1.9

billion last year and paid nearly \$1 billion in federal taxes, there is an Amtrak or a Postal Service, both of which chronically lose money.

Among the plans Mr. Clinton unveiled last week are some that have been talked about for a while, among them turning the Federal Aviation Administration from a government-chartered corporation.

Sometimes, however, government savings from privatization have proved illusory, particularly when a federal agency has been turned into a corporate monopoly, sheltered from the rigors and risks of competition. In some cases, privatization has meant simply moving an agency off the government books, with an unstated presumption that some kind of federal bailout will follow if it sinks.

"There is privatization, and then there is real privatization," said Donald F. Kettl, of the University of Wisconsin who wrote a Brookings Institution study on the subject. "Sometimes government functions are turned over to the private sector lock, stock and barrel, in hopes that will create real efficiency. In other cases, like Amtrak or the post office, we've shown we

can't let them go completely on their own, and we certainly can't let them go under."

Amtrak, a grouping of former railroad companies that were unified by the government in 1970 in an effort to save the nation's inter-city rail passenger system, faces a deficit of \$195 million this year, even with federal subsidies of nearly \$1 billion.

The Postal Service lost \$914 million in the fiscal year that ended Sept. 15, nearly three times the loss of the previous year, although its defenders point out that Congress still requires it to deliver mail in every small village and town, no matter how remote, at a standard rate — a burden not faced by the United Parcel Service, for example.

Some of the Clinton administration's privatization ideas are indisputable money-savers. For example, the president is reviving a decades-old plan to sell or lease a navy-to-oil field that dates from World War I, when admirals insisted that the government must pump its own battleship fuel.

Savings are not the chief motivation, however, in the case of the aviation agency, the agency that directs the country's commercial and private air

traffic. (The agency is hardly a drain on general revenue; it is financed by a 10 percent federal tax on airline tickets.)

Instead, as the Clinton administration acknowledges, the plan in privatize the aviation agency is really intended to free air controllers from federal budget rules that have condemned them to technological antiquity. Under those rules, the purchase of a new computer system or an overhaul of airport radar systems requires pushing a huge expenditure through Congress with the whole project paid for in the first year. The inevitable result is that purchases are delayed, and then delayed again.

Once it became a corporation, however, the aviation agency would be freed to dip into private capital. It could get banks or other investors to finance a technological overhaul, then pay back the debt over a number of years while depreciating its investment along the way.

It competes for its main business — the packaging of mortgages for sale to investors — with another government spinoff, the Federal Home Loan Mortgage Corp.

Today, Fannie Mae is remarkably profitable, and its top executives are doing far better for themselves than if they were serving in the government.

"What makes it work, though, is the market competition, which forces us to be relentlessly efficient," said Fannie Mae's spokesman, John Buckley. "That is hard to replicate in government."

In Jail, Simpson Seems to Have a Lock on Celebrity Comfort

Los Angeles Times Service

LOS ANGELES — Through a combination of court orders and administrative decisions, O.J. Simpson is receiving benefits that most other inmates in Los Angeles County Men's Central Jail can only dream of, interviews and court records show.

He is allowed to shower more often, sleep later before going to court and make use of more than 10 additional hours outside his cell each week to stretch his legs, ride an exercise bike provided for his use, talk on the phone or watch TV.

But the biggest difference is in the area that prisoners care about the most — contact with outsiders. As he left the jail recently after charges were dropped, a former gang member, Derrick Nelson, said that

he was allowed only an hour a week in the regular jail visiting room, where he was locked in a cage in the midst of as many as 240 other inmates talking to friends and relatives across a glass barrier and over phones.

Mr. Simpson, meanwhile, has been allowed unlimited non-contact visits with his girlfriend, Paula Barbieri, and others while sitting at a desk in a private glass booth located in the jail's less crowded attorney-visiting room.

Not only has Mr. Simpson recently been given exclusive use of the attorney visiting area on weekends, his arrangements also allowed him to see outsiders on Christmas, when jailhouse visiting was suspended for all other inmates.

What appears to be a double

standard has some in the criminal justice system grumbling.

But in a recent interview, Sheriff Sherman Block said any apparent favoritism was geared to the smooth operation of the jail. "Those things we are doing that seem to give O.J. special treatment are being done for our benefit," he said.

Putting Simpson into the general population would create chaos because of his celebrity status, he said, and would open him to attacks by any inmate with designs of grabbing a piece of the spotlight in the highly publicized case.

Records show that keeping Mr. Simpson in jail just through October had already cost Mr. Block's department more than \$232,000, much of it for deputy overtime.

"I get letters all the time from

citizens out there who complain and ask why he is getting special treatment," Mr. Block said.

"Now, everything else he gets outside of these visits is what everybody else gets, but in his case it's a one-on-one basis. He eats the same food as the rest of the inmates eat but instead of going to the dining room, it's brought to him on a tray."

Robert L. Shapiro, a Simpson lead attorney, bristles at the suggestion that his client is getting favored treatment. He said he had asked for and been granted after-hours visitation rights because of the extraordinary complexity of the fast-moving case, which has Mr. Simpson and his defense team tied up in court during the normal visiting time for attorneys at the jail.

He added that Mr. Simpson may be worse off than other high-security inmates because he is being kept in isolation — where he is monitored via video camera, has little contact with guards and prisoners and is not taken to the jail roof for exercise.

Mr. Simpson is the only occupant in a seven-cell wing of the unit that is reserved for high-security inmates such as accused drug dealers, bad cops and ranking gang members.

Mr. Block allowed an exception to jail policy against contraband when he permitted Mr. Simpson to have football cards in his cell, Mr. Ducoulonger said. Mr. Simpson was honoring a pre-existing contract calling for him to autograph 5,000 cards as part of a profit-making venture.

Although some attorneys say they admire Mr. Simpson and his lawyers for their gumption in extracting more "civilized" treatment from the jail, they lament the fact that their less wealthy and less prominent clients cannot do the same.

For example, Mr. Simpson won a court order guaranteeing him a hot meal when he returns from court after dinner is served in jail, authorities said.



GAY ADOPTION — Gaiyan, 4, enjoying a hug from one of his adoptive parents, Ross Lopoton, as his other parent, Luis Lopoton, watches. The couple won custody in Seattle after the boy's mother was found to have neglected him.

Away From Politics

By Walter Pincus
Washington Post Service

WASHINGTON — The confessed spy Aldrich Ames said his life is being held in solitary confinement and that the CIA does not believe he has told all he knows because he acts "serene" and not like "a guy who's going to spend the rest of his life in jail."

As he had in earlier press interviews, Mr. Ames told CNN he did not think he harmed national security by revealing the names of Soviet KGB and military officers who worked for the CIA. They did not provide "significant political information," Mr. Ames said.

He did admit, however, that some of the agents he exposed had turned over "military or technological development information," but that was, he said, "very spotty."

According to court documents and CIA officials, Mr. Ames's information allowed the Soviet and Russian governments to close down more than 100 intelligence operations.

Among the agents he exposed were two Soviet military leaders who for more than 10 years

were among the most important sources of Soviet political and military intelligence information for the U.S. and British governments.

Mr. Ames talked about the impact on him of prison life,

complaining that he has already

spent four months in "administrative detention in the hole."

That was "a lot longer" than

Bureau of Prisons' policy, he

gave Rosario Ames the minimum, a five-year sentence.

In the interview, Mr. Ames said one of his CIA debriefers told him that one of the reasons "we don't believe" you is "because you don't act like a guy who's going to spend the rest of his life in jail." Mr. Ames said the debriefer used the word "serene" to describe him.

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(AP)

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Herald Tribune

INTERNATIONAL

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Democracies in Need

There was at least one report issued this month that contained some good news. Freedom House, a New York-based organization that releases an annual study of how democracy and basic liberties are faring around the world, found that 114 countries — the largest number in history — were democracies, defined as places having "elected governments with a framework of basic representative institutions." Of those 114, all but 37 were not only democratic in structure but also guaranteed the essential human and political rights that make a country genuinely free.

But there was also bad news: that many of the emerging democracies are fragile indeed. The 37 democracies that the group rated only "partly free" included countries beset with "interethnic and intersectoral strife" and with widespread corruption, or lacking in effective civic institutions, including "a truly free press and independent judiciary." The outstanding case of a country that is formally democratic but unable to protect the rights of its citizens — or the citizens themselves — was Bosnia.

In stressing the fragility of many of the

new democracies, the report made a useful point that the U.S. Congress needs to consider as it begins what will be a very difficult debate on the foreign aid program. Many of the nations striving hard to build democracy find themselves not only strapped for cash but also lacking in some of the basic institutions of civil society that need to be strong if democracy is to remain strong. The report suggests that the foreign aid debate ought to take into account the need "to strengthen and solidify fragile democratic institutions by rigorously redirecting economic assistance to countries that are playing by the democratic rules of the game."

Rather modest amounts of aid can in fact do a great deal to help build the infrastructure of democracy.

Of course America cannot, on its own, build democracy everywhere. The ultimate success or failure of democratic institutions depends on the citizens of the democracies themselves. But America surely has both a practical and moral interest in democracy's expansion. It is an interest that needs to be recognized in the coming battles over foreign aid.

— THE WASHINGTON POST.

Military Preparedness

Republicans in Congress are taking dead aim at the Clinton administration's defense budget. One target sure to draw their fire is military "readiness." The Republicans believe that the Pentagon has provided too little money to get the troops in combat trim. Just how ready are the armed forces and how much more needs to be done? As it happens, the answers are not as simple or as bleak as the Republicans would have it.

Representative Floyd Spence of South Carolina who will chair the House Armed Services Committee, last month accused the administration of exhibiting "the classic symptoms of denial" when it contended that U.S. forces are readier than they have ever been. The view from the field is "disturbingly different," he said, citing the low readiness ratings of three army divisions — the 1st Cavalry, the 2d Armored and the 24th Mechanized Infantry. Defense Secretary William Perry quickly agreed that the army, at least, was not as ready as it should be.

A few days later President Bill Clinton said he would add \$25 billion over six years to his defense budget, much of it earmarked for readiness. No sooner had he done so, however, than Eric Schmitt of The New York Times discovered that commanders of the divisions cited by Mr. Spence had painted an overly gloomy view from the field to help the army claim a larger share of the defense budget.

By most measures, the Pentagon is already spending far more on readiness and the armed forces are readier than they have been in a long time. The operations and maintenance part of the Pentagon budget, which pays for readiness, is currently \$33 billion — twice what it was in 1980 and one-third more than in 1983, at the height of the Reagan buildup. At the same time, the armed forces are roughly 25 percent smaller. With fewer troops to train and fewer weapons to maintain, there is much more readiness money to go around.

That money is yielding results. The Pentagon sorts units into five categories from C-1, fully combat ready, to C-5, in overhaul. According to a Congressional

— THE NEW YORK TIMES.

Rethinking Farm Policy

President Bill Clinton is said to be about to nominate defeated Kansas Democratic Representative Dan Glickman to be secretary of agriculture. It is not clear what instructions Mr. Clinton will give the new secretary, whenever he chooses. The administration has no clear farm policy, and agriculture is a subject about which the president in two years in office has said very little. But a text exists, a kind of guide to the issues, that the president and his nominees might both profitably consult. It comes from the Republican chairman-to-be of the Senate Agriculture Committee, Richard Lugar.

For a combination of reasons, some philosophical, others having to do with cost, Senator Lugar has decided it's time to ask some fundamental questions about the farm programs. He has compiled a list in preparation for next year's hearings. These are not your ordinary politician's questions. Rather they are of a kind that people in Mr. Lugar's circumstances are most often careful not to ask, like whether the programs soon to be under his jurisdiction serve a useful purpose any longer, do more harm than good, can be justified in terms of cost.

Examples: "Why are acreage reduction programs sound public or fiscal policy

— THE WASHINGTON POST.



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Vietnam: An Emerging Power With Security Fears

By Gerald Segal

HANOI — Vietnam, a Communist ruled state that once terrified the non-Communist states of the Association of Southeast Asian Nations, is set to join ASEAN in the new year. Hanoi's anticipation is marred by concern about diminished status and the future of regional and great power politics in East Asia.

Worries begin with an awareness of a quasi-colonial attitude on the part of some ASEAN states toward Vietnam.

The proud Vietnamese, who have defeated French, American and Chinese armed forces in living memory, bridle at the tendency of ASEAN states to talk down to Hanoi. Vietnamese worry about exploitation by ASEAN corporations.

Vietnamese know that it is of primary importance to establish a normal relationship with the United States.

They fear relative neglect of Vietnam's security concerns about China by an organization that avowedly seeks to play down worries about an aggressive China.

Vietnam feels that by virtue of its history, its population (second largest in ASEAN) and its economic potential, it should be taken more seriously as a mid-

power. Its officials note that ASEAN accounts for only 17 percent of total foreign direct investment in Vietnam, compared with higher figures for Taiwan and Hong Kong. Thus there are signs that, even before Vietnam has formally joined ASEAN, it is looking for ways to improve its position beyond ASEAN.

Vietnam finds itself in Southeast Asia, but it apparently fits better with Northeast Asians Japan and South Korea account for 10 percent of foreign direct investment in Vietnam, and the figure is set to grow much faster when Korean and especially Japanese businessmen get their projects under way. Japan and South Korea also show a far more robust attitude to the potential of Chinese military power than does ASEAN.

We can expect a developing security dialogue between Vietnam and the Northeast Asians. At the same time, Vietnamese officials expect to have difficulties with the more passive ASEAN states who counsel caution at all costs.

Vietnam recognizes the need to avoid antagonizing China. Hence its low-key relationship with Taiwan, despite the fact that Taiwan is the largest source of foreign direct investment in Vietnam and shares deep worries about China.

Vietnam's search for a wider role

leads it, like South Korea and Japan, to place greater stress than ASEAN states on good relations with Europe. It has not escaped Vietnam's attention that Europe accounts for 20 percent of foreign direct investment. Europeans are anxious to avoid the mistakes they made in other East Asian states; they are taking an active interest in Vietnamese development, and did so before it was fashionable.

France, Britain and the Netherlands lead the way. German business has yet to wake up to the Vietnamese potential, but it will soon do so and thereby give a major boost to the European role.

Vietnam does not expect Europe to play a major role in easing security concerns, although its officials are pleasantly surprised that the Europeans have returned without many hang-ups from their colonial experience. Vietnamese also know that when they are ready and rich enough to afford military modernization, France and Britain are likely to play an active part in providing military equipment and technological assistance.

Vietnam's interest in closer ties with the West is also manifested in an obvious desire to strengthen relations with Canada and Australia. Both have large ethnic Vietnamese communities and have led the effort in the Asia-Pacific zone to develop mechanisms for regional security. Both can be partners with Vietnam in more active military cooperation, in part

as a way to make it easier to draw Vietnam closer to the United States.

It is of primary importance that Vietnam establish a normal relationship with the United States. Both countries are hampered by conservative forces at home from pursuing their obvious mutual interest in closer relations. Much progress has been made toward normalization, and hotels are certainly full of visiting emotional Americans.

But Vietnam knows that much more needs to be done to attract American investment and entice the United States into helping deter China should Beijing renege on its drive to control the disputed South China Sea.

Vietnamese officials laugh with a mixture of intrigue and unease about the notion of the United States and Vietnam exploring common strategic concerns. Yet they know that in the end, if Vietnam — or other East Asians, for that matter — is going to have a chance to stand tall as a middle power in the new regional balance, it will have to articulate and advance policies that help attract the United States. Not an easy task with the new Republican America.

The writer is a senior fellow at the International Institute for Strategic Studies in London, and director of Britain's Pacific Asia Initiative. He contributed this comment to the International Herald Tribune.

Cambodia: Friends Can Help Halt the Slide Down to Tyranny

By William Shawcross

PHNOM PENH — Cambodia's fragile polity is again in jeopardy. The country is still stronger than it has been under any Cambodian regime in the past 25 years, but 19 months after the United Nations successfully organized elections and 15 months after a new coalition government pledged to democracy took office, the strains are becoming deadly serious.

One of the clearest signs of trouble is the government's attempt to muzzle the free press — an indication that it is in danger of reverting to traditional forms of authoritarianism.

As a result of the United Nations' 1991-1993 administration, Cambodia has had one of the freest press in Asia. It has been unlicensed and, admittedly, in some cases unprofessional. Any-

one can publish a paper. Journalists can and do accuse ministers of being dogs, rats, or propose violent ends for officials. It is not nice for the prime minister's wife to read that she, too, is a pig.

But at the same time many newspapers have run important exposés of corruption and have revealed, for example, the way in

which Thai and Malaysian companies have profited from corrupt deals. Such exposés seem even more unpopular with ministers than the personal abuse.

Newspapers are constantly being threatened by the government and suspended or closed down. Foreign correspondents have been threatened and expelled. Much worse, outspoken and responsible journalists have been murdered. On June 11, Thou Chham Mongkul, an editor who had repeatedly reported on corruption, was found dying in a main street of the city. The government said it was a motorcycle accident.

On Sept. 7, Noun Chan, editor of the popular paper Voice of Khmer Youth, was shot dead in broad daylight in the center of Phnom Penh by two men on a motorcycle. The minister of the interior denied rumors that the murder was officially condoned.

On Dec. 8, Chan Dara, a newspaper reporter investigating illegal timber sales by the army, was shot dead. Now the cabinet has submitted a draft press law to the National Assembly. This draconian measure would impose criminal penalties on editors and journalists. If passed, the law would prevent any criticism or even examination of the government. The worst aspect of the bill is its imposition of criminal rather than civil penalties. Article 10 allows a jail sentence of up to a year for defamation.

Article 13 makes it a crime, punishable by up to three years' imprisonment and a fine of 10 million riel (\$40,000), to "violate the King." This vague offense could mean anything.

It is worth noting that King Sihanouk himself, who is now in Beijing undergoing treatment for cancer, has repeatedly pledged himself to defend press freedom, and is thought to be opposed to any such restriction — indeed, to much of this draft law.

Article 14 makes it a crime, punishable by up to 18 months in prison, to publish anything that "humiliates or degrades public officials or organs." Again this means anything that the government does not like.

In many ways the law is far

fiercer than that which the old Communist regime had imposed. Its penalties are disproportionately severe. The fines proposed would close many newspapers. Quite apart from destroying the press, it could also prohibit any nongovernmental organization from issuing a press release pointing out shortcomings in the country.

The first prime minister, Prince Ranariddh, has said that it is better to have the law than more dead journalists. That should not be the choice.

Pea Samithy, editor of one of the most successful papers, Rachei Kampuchea, argues that the country needs a press law, but not this one. "We must force the press to respect the ethics of journalism. If the law forces them to respect more than this — a government leader who doesn't want certain facts printed, for example — it is not good."

The bill is now being debated by the assembly, which should amend it. Better still, the cabinet could withdraw the draft and produce a new version that does not breach the International Covenant on Civil and Political Rights that Cambodia signed while the United Nations was here.

The Story This Year's Toys Tell Is About an American Cultural Ruin

By Tom Engelhardt

NEW YORK — The Christmas season might seem an odd time to assess the debate over multiculturalism and American history. And the American child's floor, littered with crumpled wrapping paper and Mighty Morphin Power Rangers, might seem an odd place from which to do so.

But children's floors, and the games played on them, have always offered clues about the kinds of stories that really capture young minds. And this week's floorscape provides a solace for neither multiculturalists nor their opponents.

In the early 1950s, my childhood years, boys — and some girls — spent hours acting out tales of American history. Who was good and who was bad, who could be killed and under what conditions, were all an accepted part of a collective childhood that drew strength from post-WW II adult culture.

As the Cold War progressed, America's faith in manifest destiny was slowly and unconsciously

relegated to the world of the child. That American children should have inherited a national tale of battle triumph, just as European children had once inherited rituals of knightly battle long discarded by adults, was not in itself extraordinary.

There, we cheered as an enemy who looked nothing like us dropped in his tens, hundreds, thousands before our blazing guns, proof of the triumph of a distinctly American goodness.

The surprise was that after a 30-year trip the story would, in barely a generation, pass wholly into the realm of children and then out of American society altogether.

When the original GI Joe action figure was furtively bought by its maker (Hasbro) in the wake of the Vietnam War, childhood war play left the American century and planet earth for good.

To wheel a shopping cart down the endless aisles of Toys "R" Us is to experience the story that has resulted, one unrecognizable from anyone's version of American history — or any history at all.

No children in 1995 will defeat Geronimo or fight the Battle of the Bulge. Nor will toy marines burst into Iraqi bunkers made of Legos. No modern-day Custer will lead a last stand in a mini-Mogadishu. No toy GIs will patrol a Port-a-Prince made of wooden blocks.

But while the national story of battle triumph has disappeared along with the toys that animated it, the replacement figures do not come from the multiculturalist's playbook, either.

On no floors this week will Native American warriors defeat the cavalry, or enslaved African-Americans rise up against their Southern masters, or toy Rosies rivet up a storm. Yet there will still be battles galore — in outer, or inner, or alternate space, or on some future robotized earth.

Exposing kids to one-sided propaganda in schools and on children's hunts is a marketing strategy designed to create future buyers. Heidi Prescott, director of The Fund for Animals, which recently released its report "Targeting Our Children," states:

"It is an article of faith among hunters, and widely supported by research that people who do not begin hunting by their late teens will never hunt. One reason so few adults take up hunting is repugnance at the blood and death which are central to the activity."

She adds: "There is absolutely no justification for the use of public funds, public agencies and public lands to teach children to kill harmless animals for pleasure."

Such thinking is heresy at the Interior Department's Fish and Wildlife Service. Killing animals is good, it says. Not in those words, for sure, but in the cosmetized language of fake conservation: "Hunting ... is a valuable wildlife management tool."

In addition to metal detectors at the school doors to keep out guns, now another device is needed: human detectors to bar the gun-happy Interior Department.

Washington Post Writers Group

A mix of traditional American toy making and modern Japanese design fabricated in Chinese factories, these Day-Glo figures speak volumes about the strange past Americans have traveled since our national story collapsed. Twenty years of multi-billion-dollar toy industry sales suggests that no one is likely to patch that story together again. Yet the void in national consciousness where it existed has not been filled.

Once, there was a clear connection between the official American story taught in the classroom and the versions acted out at recess, on floors and in backyards.

Today, the teaching of history in some schools may be hardly different from that of my childhood. In other classrooms it may involve a new kind of story telling giving emphasis to those people previously overlooked.

In many schools it is probably some uncomfortable combination of the two. In any case, to step beyond the classroom

OPINION

Those Outside the Prison Of Tibet Should Protest

By A. M. Rosenthal

NEW YORK — From concentration camps come few distinctions, not even when a whole nation is imprisoned. Silence is as real as barbed wire. For the captors, it is at least as effective.

So, when occasionally I write about the captivity of Tibet, readers sometimes ask why I care so much. They ask why they should involve themselves. Isn't so much else more important to American interests?

And since the occupation by the Chinese Communists has been going on so long, almost a half century now, with Beijing making it ever

Every day we commit the 'crimes' of the Tibetans. We talk, we write, we act, we think, we pray.

tighter, forcing more and more Tibetans out of their own country, and the world not even taking note, are not Tibetans and foreigners just perpetuating an impossible dream when they insist that Tibet live?

As the years pass, the questions become ever more important to answer — else the silence will become eternal, and the concentration camp one more fatal grave.

But before they can be answered, another question must be put: Why is it that Tibet, a nation with a history almost as old as man's memory, a nation with a culture unique in the world, with a religion that not only binds together its own people but embraces men and women all over the world, why is this nation, almost alone among nations, denied the most elemental rights of nationalhood and personal freedom?

When I was a young reporter, The New York Times assigned me to the bureau but had just set up at the brand new United Nations. The total membership then was 56, and new countries were asking to be admitted. One day a British delegate warned that if the United Nations kept growing, the membership would be as high as 70, maybe 80.

Today the membership stands at 184. Among them are countries that are minute in population and size; their most important industry is the bureaucracy created to run them. And there are other members whose boundaries and identities were carved out of the map by the colonial powers of Europe for their own administrative and imperial convenience.

The New York Times

BITING THE DUST: The Wild Ride and Dark Romance of the Rodeo Cowboy and the American West By *Dirk Johnson*. 239 pages. \$22. Simon & Schuster.

Reviewed by David Rieff

THE American West is, by now, as much a state of mind as a place. Perhaps it always was. The revisionist historians, whatever their own prejudices, surely are right to insist that while the mythic West was a land of untrammeled individualism, in reality the course of

pioneer settlement was largely determined by federal land policies, the wishes of railroad magnates and decisions about subsidized water and grazing rights.

And yet, as *Dirk Johnson* points out early in "Biting the Dust," his lucid and cogent chronicle of the world of the rodeo cowboy, "As the rest of America becomes noisier, angrier, grinner, the cavernous, echoing, mystical West, real and imagined, beckons."

Johnson, who is Denver bureau chief for The New York Times, knows the New West that that city embodies as intimately as he knows the disappearing



LETTERS TO THE EDITOR

NATO and the East

Regarding "Russia Gains, Germany Loses, America Should Stay" (Opinion, Dec. 15) by Brian Beecham:

How can there be doubt over whether Russia (with Ukraine and Belarus) could ever accept NATO poised at its borders, even though the merely defensive nature of the alliance be made perfectly clear and if new aims were imagined for a treaty organization that since its birth had only the aim of containing the Soviet Union and preventing a Communist takeover of Europe?

This undoubtedly has been a great achievement of NATO, for which any right-thinking person should be grateful, the more so in that the Cold War remained cold and a world war is by now an almost forgotten possibility.

Yet, if Russia were to begin to believe that the aim of America and Europe is to apply the Yugoslavia treatment to Russia, the appearance and growth of violent extremism is of both the right and the left would be immediate.

Since 1990, little has been done to assist Russia in extricating itself from the economic and social mess caused by 75 years of Communist dogmas and illusions. Now is the time to truly assist Russia.

I agree with Mr. Beecham when he writes that America should stay

in Europe. The question is, in what manner? It is not so much America's physical presence that is now needed, but an economic and cultural one, and most of all the moral presence of a great democracy.

Mr. Beecham's article is extremely interesting and I find myself in agreement with most of his reasoning, as I do not belong to the category of persons who believe that "realpolitik" can be put to rest.

Prince NICHOLAS ROMANOFF, Rongenmont, Switzerland.

Regarding "Extending NATO Eastward Would Be a Grave Error" (Nov. 30) by Charles A. Kupchan:

NATO has always been far more than a military alliance. Otherwise it would have gone the way of the Warsaw Pact. It is in essence a family of democratic values and a trans-Atlantic consultative framework that the Central European countries feel, rightly, they are entitled to join.

It is the primary American link to a continent whose nations still cannot decide with whom neighbors they should be best friends, and who, left to themselves, would unlikely be able to agree on responses to threats or to take decisive action when fundamental human rights are trampled upon.

Witness the absurd attachment to the safety of peacekeepers rather than to the sanctity of the lives those forces are supposed to protect in Bosnia.

Although security guarantees are important, NATO's primary mission in the years ahead will be to refine its unique ability to contribute to peacekeeping. Surely Poland's 10 divisions have something to contribute in an era of declining military budgets and resources.

Cost calculations on new NATO membership are abstract in the absence of a permanent threat. Spain entered NATO after six months of negotiation, the details of participation being worked out 10 years later. Why erect double standards now?

NATO membership would assist reform by providing an important stimulus to foreign investment and domestic stability, and an incentive for countries not yet ready to join to improve their record at home.

NATO expansion would be consistent with a new European security community, not a hostile alternative to it. Nothing rules out parallel steps such as making the CSCE a truly collective security organization.

NATO expansion triggered only by a new Russian threat would, as Zbigniew Brzezinski has described it, not only prove "objectively" antagonistic. It could lead to crisis if not apocalypse. Better a transparent and orderly process starting today by making clear the ultimate destiny of the Partnership for Peace.

JOHN BORAWSKI, Brussels.

Watch Goodness Well Up On the Bad-News Screen

By Frederick Buechner

PAWLET, Vermont — Martin Luther said once that if he were God he would kick the world to pieces — and who doesn't know what he meant? Only, these days we're so good at kicking the world to pieces ourselves that we hardly need God for the job.

It is not so much the terrible things — Bosnia, Haiti, Angola, AIDS, homelessness, crime and the rest of it —

MEANWHILE

because as Thornton Wilder pointed out, we always manage somehow to survive the terrible things by the skin of our teeth. It is rather our obsession with the terrible things. News has come to mean almost exclusively bad news, and the badness of it has got into our blood.

In America, the fatal beating of Jeffrey Dahmer, Susan Smith drowning her two babies in the family car, close-ups of the disease-ravaged body of the latest person Dr. Jack Kevorkian has helped to die, the O. J. Simpson melodrama — these stories take precedence over events of historical significance, not because they are more important, let alone because the media hope they will somehow be good for us, but because they feed our addiction.

Good things as well as terrible things happen all around us, but when was the last time they made the headlines? Who pays much attention to the genuine accomplishments of President Bill Clinton, who, despite his mistakes, strikes me as arguably the most promising leader America has had for years? Why erect double standards now?

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The other day I was handed a card with these words: "Prayer does not change things. Prayer changes people. People change things." If one substitutes "God" for "prayer" and can overcome a distaste for slogans, maybe that comes as close to suggesting the answer as anything else could.

I don't think God goes around changing things in the sense of making bad things happen to bad people and good things happen to good people, or of giving one side victory over the other in wars, or of pushing a bill through Congress to make school prayer constitutional. I believe that most things that happen in the world happen, for better or worse, by chance. But I also believe that through the chance things that happen, God opens up possibilities of redemptive change in the selves even of people who wouldn't be caught dead believing in Him. "Possible" means that we are left free to decide that for us such change is impossible, and to go on with business as usual.

I am almost never moved by what I see on the television news, where suffering is apt to be on such a grand scale that it ceases to be quite real, but one report not long ago was an exception. What I saw on the screen was only a handful of people bringing flowers to set down at the edge of the lake in South Carolina where the two small boys died strapped into the back seat of their mother's car.

Suddenly there were tears in my eyes. It was the children my tears were for, and maybe even for the unimaginable — or all too imaginable — mother. They had to do also with the people bringing the flowers, who apparently had no special connection with the family but simply decided to bring them and leave them there in the grass.

Beyond that, I think my tears had another case in point. It no longer conjures up the image of Christ but rather the narrow, bigoted, authoritarian political faction that calls itself after him.

A character in Woody Allen's "Hannah and Her Sisters" says that if Jesus Christ were to come back and see what is going on in His name, He would never stop throwing up.

I suspect that God will not kick the world to pieces, if only because that was on His mind. He would probably have done something about it long since. But those like me who believe in God spend a lot of time asking themselves what He is doing in the world instead — this world where He is so often most conspicuous by what seems like his absence.

The writer, a Presbyterian minister, is author most recently of "The Son of Laughter," a novel. He contributed this comment to The New York Times.

BOOKS

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BEST SELLERS

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This list is based on reports from more than 2,000 bookstores throughout the United States. Weeks on list are not necessarily consecutive.		3 COUPLEHOOD, by Paul Reiser	4 16
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Oil Delay For Pilot's Release?

U.S. Seeks Lever With North Korea

Reuters
WASHINGTON — The outgoing chairman of the Foreign Affairs Committee of the House of Representatives said Tuesday that Congress might delay a scheduled U.S. oil shipment to Pyongyang to force the release of a captured U.S. Army pilot.

"If this airmen is not returned, then it is bound to have a negative impact on our relationship with North Korea," Representative Lee H. Hamilton said in a television interview. "It's bound to have a negative impact on the attitude of the Congress toward this agreement," he added.

The United States is to provide 50,000 tons of heavy fuel oil, valued at about \$4.7 million, to North Korea by Jan. 21 as part of an agreement reached in October aimed at eliminating the North's suspected nuclear weapons development program.

"It's difficult for me to see the Congress doing that unless this airmen is returned," Mr. Hamilton, an Indiana Democrat said, referring to the captured pilot. Chief Warrant Officer Bobby Hall.

Mr. Hall has been in North Korean hands since his army helicopter went down in North Korean territory 10 days ago. His co-pilot was killed in the episode, which North Korea says was a spy mission. The United States blames a navigational error.

Representative William B. Richardson, who dealt with the North last week for Mr. Hall's release, said Tuesday that the United States was being subjected to "water torture" but should stay calm and negotiate.

"Obviously the North Koreans are squeezing us," the New Mexico Democrat said in a television interview.

Mr. Richardson had arrived in Pyongyang for previously scheduled talks on implementation of the nuclear agreement when the helicopter went down on Dec. 17. After five days of what he termed tough negotiations, Mr. Richardson came out with the body of the dead pilot and what he called assurances that the North would release Mr. Hall in a few days.

"There's a lot of splits there," Mr. Richardson said, adding that he believed a power struggle was under way.

The Clinton administration sent Thomas C. Hubbard, a U.S. deputy assistant secretary of state, to Pyongyang on Monday in an effort to gain Mr. Hall's release. But North Korea said that it termed an act of espionage needed further investigation under military law.



A Chechen volunteer checking out a piano on Tuesday in one of the debris-littered streets of the capital, Grozny.

YELTSIN: Order Given to Halt Bombing of Civilians in Chechen Capital

Continued from Page 1

ruption, saying, "I am aware that Chechen money is involved in the functioning of some mass media in Russia."

"That is a serious accusation," said Yevgeny A. Klyuyev, head of the news program *Izog*. "I would prefer that the president provide some proof. Otherwise, it is just an example of campaigning against the part of the press that is not doing propaganda for the government forces."

The oil-rich, mostly Muslim republic of

Chechnya has a bitter, centuries-old history of defiance toward Moscow. Led by Dzhokhar Dudayev, a former Soviet Air Force general, Chechnya declared its independence from Moscow three years ago. Russia has been struggling to regain control of the territory ever since.

There was no bombing of Grozny on Tuesday, and fighting was reported to be light, but Mr. Yeltsin did not rule out renewed bombings in his speech. Government officials said laser-guided missiles

would be deployed that could more accurately pinpoint strategic targets in the city.

■ Chechen Leader's Son Wounded

Mr. Dudayev's son has been seriously wounded in a battle with Russian forces. Chechnya's deputy foreign minister, Ruslan Chimayev, said Tuesday, according to a Reuters dispatch from Moscow.

Mr. Chimayev told Russia's Interfax news agency that Avlaz Dudayev, 23, was wounded in fighting outside Grozny. He gave no details of his condition.

DRUGS: Drug Traffic Leaves Deep Scars on an Idyllic Canadian Island

Continued from Page 1

the drug trade. But in the last two years, the police say, the drugs coming in have become stronger and more plentiful, and the dealers are Asian.

In contrast to the established Vietnamese community of several thousand, many of whom arrived from South Vietnam in the 1980s, the new arrivals tend to be from North Vietnam. Many of those engaged in drugs appear to have learned their trade in the refugee camps of Hong Kong, the police say.

A large majority of drug trafficking is done by Vietnamese dealers, said Sergeant Phil Humphries, head of the drug squad for the Nanaimo section of the Royal Canadian Mounted Police.

"They are trafficking in large amounts of cocaine and heroin," he said, "and their visibility and blatant methods make them obvious to the public as a whole."

Many dealers or their operatives work out of cars, using pagers and cellular phones to make contacts. Others enlist their families.

In March, an undercover policeman arrested an 8-year-old Vietnamese girl for selling heroin in her home. Her parents were not there, and the child apparently was not aware of what was in the packet she handed over; she said she was just imitating what she had seen her father do.

The police say the dealers are targeting high schools. Last April, two boys, 17 and 18, died of heroin overdoses, bringing the total number of residents of the Nanaimo

region who have died of overdoses this year to 25. Drug-related suspensions have doubled at high schools.

Drugs also apparently have led to homicide. In September, the body of Quang Long Tran, a local resident believed by the

four officers are being added to the Mounties' federal drug staff in Nanaimo next year, doubling its size. In addition, the police have started regular patrols in area high schools.

Local officials doubt, however, that more police alone will solve the problem.

Last spring, the police in Nanaimo and nearby Victoria staged a major bust, arresting 40 people, 15 of them Nanaimo residents. All were Vietnamese. According to Sergeant Humphries, drug activity was virtually uninterrupted.

"It's just a game," he said. "You knock off one guy for drug trafficking and there's a dozen more waiting to take his spot."

Local officials say they are frustrated that the Vietnamese community has been of little help in supplying names of dealers or other information about them. The drug squad has no Vietnamese officers, and the police are hampered by their appearance from infiltrating or even keeping tabs on drug gangs.

To Trang Pham, a nursing student who is vice president of the Nanaimo Vietnamese Society, those who demand cooperation from her community do not understand the potential consequences.

"It is really a small, enclosed community, and we all know each other, so it's really hard to stand up and say those names," she said. "And the volunteer could get himself into trouble. If I said, 'So-and-so did it tomorrow they could find my body in the forest.'

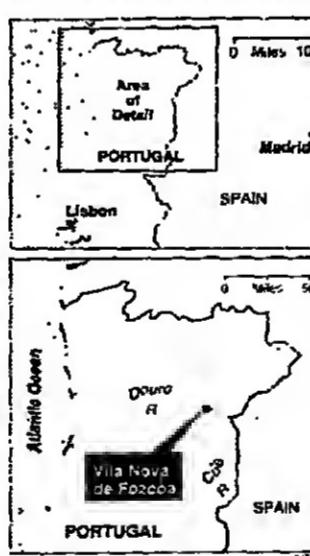
Although night had virtually fallen when anti-terrorist commandos stormed the aircraft on Monday, the photographer, Jean-François Bramard, managed to obtain vivid color pictures of the raid.

He obtained a vantage point close enough to be able to use a normal lens rather than a telephoto lens, which brings distant objects closer but lets in less light. Mr. Bramard used a single ring, known as a focal length doubler, to obtain close-ups with the normal lens.

By keeping the lens at maximum aperture and boosting the video signal, he was able to obtain images that appeared to have been taken in daylight. The gain in luminosity was offset by a considerable loss in picture sharpness.

Because he used a normal camera, Mr. Bramard was able to capture the scene in color.

The pictures provided a scoop for the French TV network TF1. Still pictures taken by the Reuters news agency showing the armed gendarmes entering the plane were taken with a conventional camera and telephone lens. Although still cameras are less useful in low light than video cameras, it is possible to increase low-light possibilities by manipulating film development.



PORTUGAL: A Modern Scandal Grieves a Major Prehistoric Art Find

Continued from Page 1

art near Vila Nova de Fozes has become publicly known. An archaeologist identified the first engravings more than two years ago, but the find was kept a secret by the state-owned electricity utility.

Portugal, which apparently did not want to disrupt construction of the dam that started in September.

More surprising, the prehistoric murals also were kept secret by the government's archaeology institute, the Institute for Architectural and Archaeological Patrimony, whose president visited the site a year ago.

Even now the survival of the art has not been secured. And in recent weeks archaeologists have spent as much time in campaigning to save the engravings as in analyzing them.

"We want the dam project to be stopped and the Coa valley turned into a major cultural resource," said Joo Zilhao, a professor of archaeology at Lisbon University. The valley, he said, also holds later engravings and paintings from 3,000 to 1,000 B.C. and remains from Roman and medieval settlements.

"Some of the images are exceptionally beautiful," he said in a telephone interview after visiting the Paleolithic site. "There are some unusual scenes, like two horses touching and some animals running. They're not in the more common frozen positions."

The discovery, and its apparent

cover-up for more than two years, has now become a scandal in Lisbon, with historians and other intellectuals this month publishing open letters and demanding a parliamentary inquiry.

Bui around Hell's Canyon, as the gorge is known, the farmers and shepherds apparently are surprised by the fuss about scratches in the rocks that they had long known about.

"People of the region knew about the pictures," said Mila Simoes, a rock art specialist who has visited the area three times in recent weeks. "They treated Hell's Canyon as a magic place. They said the old people always told them that those rocks were inhabited by spirits. That children should not go there or touch anything."

The ancient art gallery carved into outcroppings and walls is reachable only by river boat or by hiking along the steep and windy shepherd's paths. Yet evidence that local people knew of the markings, Mrs. Simoes said, is offered by the contemporary carvings and scratches in the rocks, some of them close to the prehistoric images. In one case, she said, a modern bypasser had damaged an ancient engraving by retracing its lines with fresh scrapings.

Archaeologists first learned of the discovery less than two months ago from Nelson Rebenda, a 33-year-old archaeologist from the area. With financing from the electricity utility,

Mr. Rebenda, a government employee, had been quietly studying and photographing the images, retracing a number of them on paper for the past two years.

"Suddenly I got a call from Nelson Rebenda in the middle of the night," said Mrs. Simoes, the rock art specialist who lives in Lisbon. "It was November seven. He sounded in a panic. He was shouting that I should come quickly, that there was a rock art that would soon be inundated."

Because Mr. Rebenda had sounded so worried, she said, she and her husband, Ludwig Jaffe, also an archaeologist, made the seven-hour trip the next day.

"What we saw was amazing, magnificent," said Mrs. Simoes, who has worked elsewhere in Europe and South Africa. She said she had learned that Mr. Rebenda had called her because the Douro dam downstream was briefly lowering its water level and would bare many of the flooded engravings for just a few days.

Mr. Rebenda told her he wanted her as a witness to testify that the rock images were genuine. "He said he would publish a thesis and a book, but by then the images would be covered by water so he needed to authenticate them."

When Mrs. Simoes demanded that the discovery be announced "because the Portuguese people must decide if they want a dam there or not," she went on, "Rebenda made a

scene. He started shouting. He even threw his hat on the ground and jumped on it. He said he wanted nobody to keep all this for his book."

Once Mrs. Simoes had alerted her colleagues and the local press, Mr. Rebenda and his employers at the government archaeology institute had changed their account of the events several times. At first, they announced that "dozens of Stone Age animal designs" had been discovered in recent weeks.

But in a telephone interview, Mr. Rebenda conceded that he had identified the first engravings in 1992 and that he had reported those and subsequent findings to the institute in 1993 and 1994. Although he had several meetings with officials of the archaeology institute and the electricity utility — "we even talked about moving some of the rocks somewhere else" — he said that neither body "seemed interested in what I had to say."

In November 1993, he said he asked officials from the utility to lower the waters in the downstream Douro dam to enable him to study the flooded images. "They told me that was too expensive," he said.

He said he also suggested other solutions, like creating a dry-dock around the rocks or, failing that, making underwater explorations.

Asked why his own institute did not back him, Mr. Rebenda said: "The people responsible

there are architects. They are not much interested in archaeology."

Archaeologists have called for urgent test excavations in the area to further date it through other signs of human presence, like tools, bones or charcoal.

Only two other sites with art from the Stone or Ice Age have been found in Portugal: in a cave at Escoural in the south and a small patch at Mazouco, in the Vila Nova region, which has just a few open air animals.

Interestingly enough, it was Mr. Rebenda who as a student first reported the Mazouco site in his home village, in 1981, but it was his professor who got the credit. Colleagues of Mr. Rebenda have said that this time he was determined to keep the credit for himself.

The U.S.-Algeria Connection

Fundamentalist Link Under New Scrutiny

By Joseph Fitchett
International Herald Tribune

PARIS — The international fallout from the hijacking of an Air France jet will include a fresh scrutiny of a U.S. connection with Algeria's Islamic fundamentalist opposition — a largely symbolic foothold established in Washington by human-rights groups and a few political exiles to gain visibility for their cause.

For months, France has been irritated by U.S. doubts about the policies of Algeria's military government and calls for dialogue with the Muslim-led opposition.

The threat of a fundamentalist takeover in Algeria is France's deepest foreign policy worry, and French officials publicly insinuate that Washington has been heedlessly helping the radicals.

In private, French officials frequently make the point that no Americans have been killed by terrorists in Algeria who have murdered 25 Frenchmen and a number of foreigners from several other countries.

The implication is that Islamic fundamentalists have some special U.S. tie, a charge rejected by U.S. officials. They say the small number of Americans in Algeria explains the absence of casualties.

The French government, anxious to avoid an Islamic takeover in Algeria before elections in the spring, has resisted any dialogue with the Muslim groups and sought instead to bolster the Algerian government.

French officials have complained publicly about the unwillingness of the United States and Germany to provide more financial support to Algiers and their readiness to give political asylum to opposition leaders.

The emotional force of French concern, however, seems more to do with history, specifically the growth of U.S. importance in Algeria after the war of independence with France. While largely unofficial, American aid to Algerian revolutionaries who won independence still ranks in France, which has a traditional postcolonial interest in Algeria and the rest of North Africa.

U.S. anti-colonialism in the 1950s and '60s was aimed primarily at preempting Soviet influence. But independent Algeria expanded its U.S. political and economic ties, especially in the oil business, in a way that is rare among former French colonies.

Current French suspicions about U.S. in-

tentions offer an eerie echo of those earlier fears of a U.S. desire to supplant French interests in Algeria.

This friction may now ease, officials said. Tuesday, because Western governments will have to take a harder look at the options in Algeria.

Clinton administration officials repeated their view on Tuesday that Paris should attempt to find and nurture a Muslim-led moderate front and, in any case, press the Algerian government to offer a calendar for elections.

In the U.S. view, the Algerian military regime's repressive approach — confirmed by a scorched-earth policy applied in the countryside in recent months in which killing has been widespread — has strengthened, not weakened, the resistance.

American officials predicted that there would be greater French interest in contacts with the main opposition group, the Islamic Salvation Front, as an alternative to extremists who are gaining control of the hard-line military and to the Muslim terrorist underground.

The Air France hijackers, despite an initial demand for the release of imprisoned Islamic Front leaders, appear to have belonged to the Armed Islamic Group.

The movement is considered to be the most radical and dangerous of Algeria's Muslim fundamentalist groups. It is an umbrella name for several terrorist cells that have sprung up as repression has grown.

Dialogue with the Islamic Front, not repression, has been urged by the United States. But France dismissed the idea as a naive notion that would send Algeria the way of Iran and Sudan, which have Islamic governments.

Before the hijacking, however, there were signs in Paris of movement in that direction during talks in the fall between the State Department's top Arab expert and French Foreign Ministry officials. Since then, Washington has managed to curb anti-French comments by Algerian opposition figures who have sought political asylum.

And the Clinton administration has accepted French calls for the West to promote other Algerian political factions in order to prevent an Islamic takeover that could destabilize neighboring countries in North Africa.

HIJACK: France Acted on a Tip

Continued from Page 1

explosion would devastate the plane," Mr. Pasqua added, "which seems to have been their plan."

After the drama was over, some freed hostages also said they had heard the gunmen talking about destroying the plane over Paris. "They demanded 27 tons of kerosene to fly to Paris, which was more than was needed," said Ferhat Mehenni, a well-known Algerian singer who was one of the hostages. "Their idea was to set Paris ablaze."

The co-pilot, Jean-Paul Borde, who broke an elbow and a leg when he jumped from the cockpit window at the start of the assault to free the hostages, said sticks of dynamite were placed behind his chair. Another cache of dynamite was found in the middle section of the wide-bodied airliner.

"I was terrified they were going to blow up the plane," an Algerian woman said soon after she was freed. But Marseille's police chief, Alain Gehin, said that during negotiations

STAGE/ENTERTAINMENT

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Wednesday, December 28, 1994
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Clockwise from top left: From "Copacabana," "New England," "Sunset Boulevard" and "Three Tall Women."

Peter Handke and the Eloquence of Wordlessness

By Alan Riding
New York Times Service

PARIS — A play without words? Mime, of course. Well, no. In mime, gestures replace words and, in the end, little is left unsaid. Peter Handke's idea is different. He looks around and sees myriad brief encounters that never reach the stage of words. So he has written a play before words.

It is not hard to imagine. In the hurried solitude of urban life, individuals send out "here-i-am" messages through their appearance and body language. Without a word, they set off responses of fear, respect, curiosity, arousal, indifference, disapproval. Then the moment passes and the crowd moves on.

In "The Hour We Knew Nothing of Each Other," Handke, the Austrian-born playwright and novelist, has taken this to its theatrical con-

cclusion, turning the stage into a piazza where, over a 24-hour period, 400 characters played by 33 actors and actresses appear, observe, are observed and then disappear.

They include a gum-chewing airline captain and his crew, an old fisherman, grinning roller skaters, a sexual deviate, tourists, a transvestite, a man in a tuxedo who has a heart attack, a leggy actress making a movie, and more.

There are even surreal cameos appearances by figures of Mimes, Jacques Tati, Papageno and Tarzan.

The 100-minute play, first produced in February by Berlin's Schaubühne am Lehniner Platz and acclaimed by British critics at this year's Edinburgh Festival, was given 10 performances at the Théâtre du Châtelet in Paris this month. It was generally well received by French critics.

The production stirred special interest because it com-

bined the recognized talents of Handke, who now lives in Germany, and those of the 46-year-old Swiss-born theater director Luc Bondy, who began his career in Germany in 1971.

Handke's experimentation with literary forms and his public squabbles with Günter Grass have made him one of the best-known writers in the German language. He is a poet and essayist as well as playwright and novelist, and he also wrote the screenplay for Wim Wenders' film "Wings of Desire."

HANDKE, 52, has said that the inspiration for "The Hour We Knew Nothing of Each Other" came simply from sitting in a cafè in an Italian piazza and watching the world go by.

From his reflections came 46 pages of stage directions for a play that, while wordless, echoed the sounds of his piazza: church bells, a distant radio, plates

breaking, a passing motorcycle. It was then up to Bondy to orchestrate the flow of people and scenes across Gilles Alain's minimalist set, with a whitewashed facade of a Spanish-style hacienda on one side, an abandoned car hidden under canvas on the other and, in the center, a pole with a basketball net and a statue of an Egyptian dog deity.

Holes in the floor provide additional points of entry and exit.

What the audience does not see is the extraordinary scramble backstage as the cast of French and German actors and actresses disappear and reappear, sometimes barely a minute later, in different costumes and roles. Most of the players act out 10 to 15 characters in the course of each performance.

As it happens, Bondy did not want much acting from them. Even though there are many moments of humor, some of slapstick and a few of sentimentality, the director was eager for the cast to appear as normal as possible — as normal, that is, as the weird characters who might cross a piazza thinking of themselves as normal.

Early in his career, Bondy spent two years at Jacques Lecoq's mime school in Paris. Today, he thinks of mime as "too talkative."

In this case, he wanted his cast to remain silent, but also to signal nothing too obviously. "Theater can extract the hidden relationship between people," he told an interviewer. "Whenever I see people, I imagine something more; I fabricate stories."

Here, he invites the audience to do likewise: to spot the exhib-

Surviving Yet Another Year

By Sheridan Morley
International Herald Tribune

LONDON — It was the year when a High Court judge solemnly banned "Maxwell the Musical," not then even in preview, on the ground that it might do damage to the case for the defense. "Moby Dick" was, however, allowed to continue at the Barbican, even though it concerned a great white whale disappearing mysteriously into the ocean. The case has yet to come to court.

It was the year when English dramatists to write a letter to the Guardian demanding as of right that their work should be seen on regional stages, specifying three new plays a year, but nowhere explaining how an audience for such work was to be similarly guaranteed to theater managers who would be happier presenting Australian soap stars in pantomimes with wrestlers.

It was the year when two Evening Standard drama critics solemnly fell out over whether or not there were too many gay plays on West End stages, and when the drama critic of The Observer equally solemnly suggested that good directors should not be allowed to make money with marathon musical revivals when they could starve for their art on studio stages.

It was the year when Richard Eyre announced he would be leaving the National Theatre and when several regional theaters announced they would be closing for good or at least least operating only as receiving houses, always assuming there was anything still on tour to receive.

It was the year when as many American actresses got fired from the leading role in "Sunset Boulevard" as were actually allowed to play it. It was the year when the playwright with the greatest number of first nights in London over Christmas was Charles Dickens.

It was the year when the Japanese sent

us "Out of the Blue," which very soon went into the Red, and when Barry Manilow's "Copacabana" survived some of the worst reviews since Pearl Harbor. It was the year when our greatest living actor was finally given his own theater in Shaftesbury Avenue, an honor he should have been accorded 30 years ago.

It was the year of the solo show and the tribute concert, which is much the same

LONDON THEATER

thing except that the star of the latter is usually dead in a plane crash and has to be impersonated.

It was the year when "Miss Saigon" overtook "My Fair Lady" to become the longest-running Drury Lane musical, when Vivian Ellis got to be 90, and when Ian McKellen admitted tearing anti-gay pages out of Gideon bibles in Palmerston bedrooms.

It was the year when the RSC staged an entire Shakespeare Festival to prove how much better they were at it than any foreign company, and when most of the best drama at the Barbican surrounded the resignation of its Baroness O'Cathain. It was the year when Vanessa Redgrave gave us "Brecht in Hollywood" under her usual, mistaken impression that foreign wars and social injustice allow her to give appalling performances in the name of charity.

It was the year when the Samuel Beckett estate insisted that his works be performed exactly as the author intended; fortunately for Sean Mathias at the Warehouse, Noel Coward estate is somewhat less intolerant. In contemporary drama there was major new work from Arthur Miller, Brian Friel, David Edgar, Jonathan Harvey, Kevin Elyot and Terry Johnson, though none of it originated anywhere near a commercial house.

Performances of the year would have to include Maggie Smith in "Three Tall

Women" and Clare Higgins leading the National's belated but welcome discovery of the greatness of Broadway drama with Lillian Hellman's "The Children's Hour" and Tennessee Williams's "Sweet Bird of Youth." Actor of the year was undoubtedly Tom Courtenay in a breathtaking return to greatness as the peripatetic, alcoholic Muscovite in "Moscow Stations."

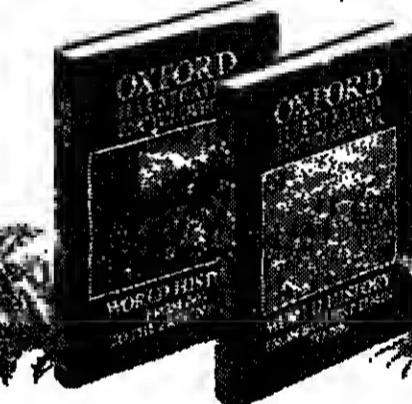
My personal award for the most underrated play, production and performances of the year would go to Richard Nelson's "New England," at the Barbican. A marvellously Chekhovian study of displaced Brits in America which, as so often with Nelson, got largely dismissed because we somehow expect our American dramatists to shout rather than whisper: see also A. R. Gurney.

Theaters of the year include as usual the Warehouse, Bush, Hampstead and Richmond's Orange Tree, though as usual I'm told I stay far too close to London. On the other hand anything good seems to get here pretty fast anyway, and my experience of what does come in (largely from the Edinburgh Festival) suggests that in general rave reviews are given in precise correlation to the distance the critic has had to travel in order to write them.

So what of 1995 in London? Diana Rigg as "Mother Courage," Alan Bates as "The Master Builder," Stephen Sondheim's darkly obsessive "Passion" from Broadway, new plays from David Hare, Tom Stoppard and Simon Gray, and Judi Dench reunited with Ian McKellen for "A Little Night Music." All that and the Boublil/Schonberg "Martin Guerre."

Not a bad lineup for an art form reckoned to be in terminal decline yet again. But as several regional theaters post closing notices, and the much-promised National Lottery cash has yet to trickle down to us, the fears are still well-founded. In the West End too, it may soon be possible to make a killing but not a living.

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French Playwright Is Taking Off

By Thomas Quinn Curtiss
International Herald Tribune

PARIS — Eric Emmanuel Schmitt's first move into the theater, "La Nuit de Valognes," wherein Don Juan is punished for his misbehavior, did not linger long although it displayed great literary grace. But his second try, "Le Visiteur," which closes on Saturday at the Théâtre de Paris, will be seen this season in New York, London, Berlin and in Scandinavia.

The 33-year-old Schmitt is now preparing his next play, which bears the title "Golden Joe," a variation on "Hamlet" set in the City

of London in the future. In the year 2010, Hamlet's father is a stockbroker and his brother has murdered him for his position. It is to open at the Théâtre de la Porte Saint-Martin on Feb. 1. Gérard Vergez is directing.

"Le Visiteur" has run for more than a year in Paris to packed houses, and received three Molière awards, for best play at a private theater, best author and the theatrical revelation of 1994. Foreign rights have been bought up and "The Visitor," which closes on Saturday at the Théâtre de Paris, will be seen this season in New York, London, Berlin and in Scandinavia.

The play takes place in the library of Sigmund Freud in Vienna on a night shortly after Hitler has annexed Austria and involves a meeting between Freud and an uninvited guest who claims he is God.

Later in 1995, Schmitt will bring out his translation of "The Merchant of Venice."

"I am dusting off all the archaisms to expose the gaudiness of Shakespeare's language of 400 years ago," Schmitt said.

Ten years ago, the Parisian stage was bursting with American plays; now there are more young French playwrights than ever, he said. "I understand someone like Ionesco whose philosophy is akin to metaphysics. The mystery is divine; it is spirituality, a 'promise of sense.' Personally I express myself through myths."

"Racine is the greatest French dramatist," he said. "Racine is almost miraculous. He does not show his craftsmanship, he hides it and makes it disappear, a very extreme elegance."

The stage is not Schmitt's only occupation. He has just published his first novel, "La Secte des Egoïstes" ("The Egoists"), about a would-be philosopher who has set up a club for people who are assured that no other creature on the globe exists. The period is the 18th century, and an inquisitive scholar seeks to trace the past. There is a flavor of Diderot in this sophisticated spoof.

Schmitt has written for television, too. His various works reveal an artist of refined style, for as he says, "Art should be an art of refinement."

Mike Zwerin, IHT

SHORT CUTS

• **JACKY TERRASSON** (Blue Note): Following Marcus Roberts, Roy Hargrove and Joshua Redman, Frenchman Jacky Terrasson (29) won the esteemed Thelonious Monk Foundation competition in 1993, a crucial career move. His touch, time, harmonic smarts, and good sense and humor are launching him into orbit. Billboard magazine called this album, his first as leader, a "drop-your-fork-and-get-up-and-run-across-the-room kind of record."

• **VOCAL SAMPLING**, "Una Forma Mas" (Sire): Afro-Cuban a cappella mambomania. Six young male Cubans singing and emulating claves, bongos, timbales and other Latin percussion instruments with vocal cords and limb-slapping. (Where's that cowbell coming from?) Talk about body language.

• JOHN PIZZARELLI, "New Standards" (MG): When Nat King Cole was producing hit after hit, his color was used as a factor denying his superstar status he deserved. In those days, black crooners serenading white ladies was a no-no. Now we have a Cole-clone crooner nobody can object to except clowns. Excellent.

• NIELS LAN DOKY, "Misty Dawn" (Columbia): Pianist Niels Lan Doky is part Vietnamese and part Danish. He speaks French and English fluently. He plays a Swedish folk song as though they're both from Brooklyn. New Dimensions of universal language. (Niels-Henning Ørsted Pedersen, bass; Alex Riel, drums.)

No matter where you're traveling to,
THIS IS YOUR RETURN TICKET.



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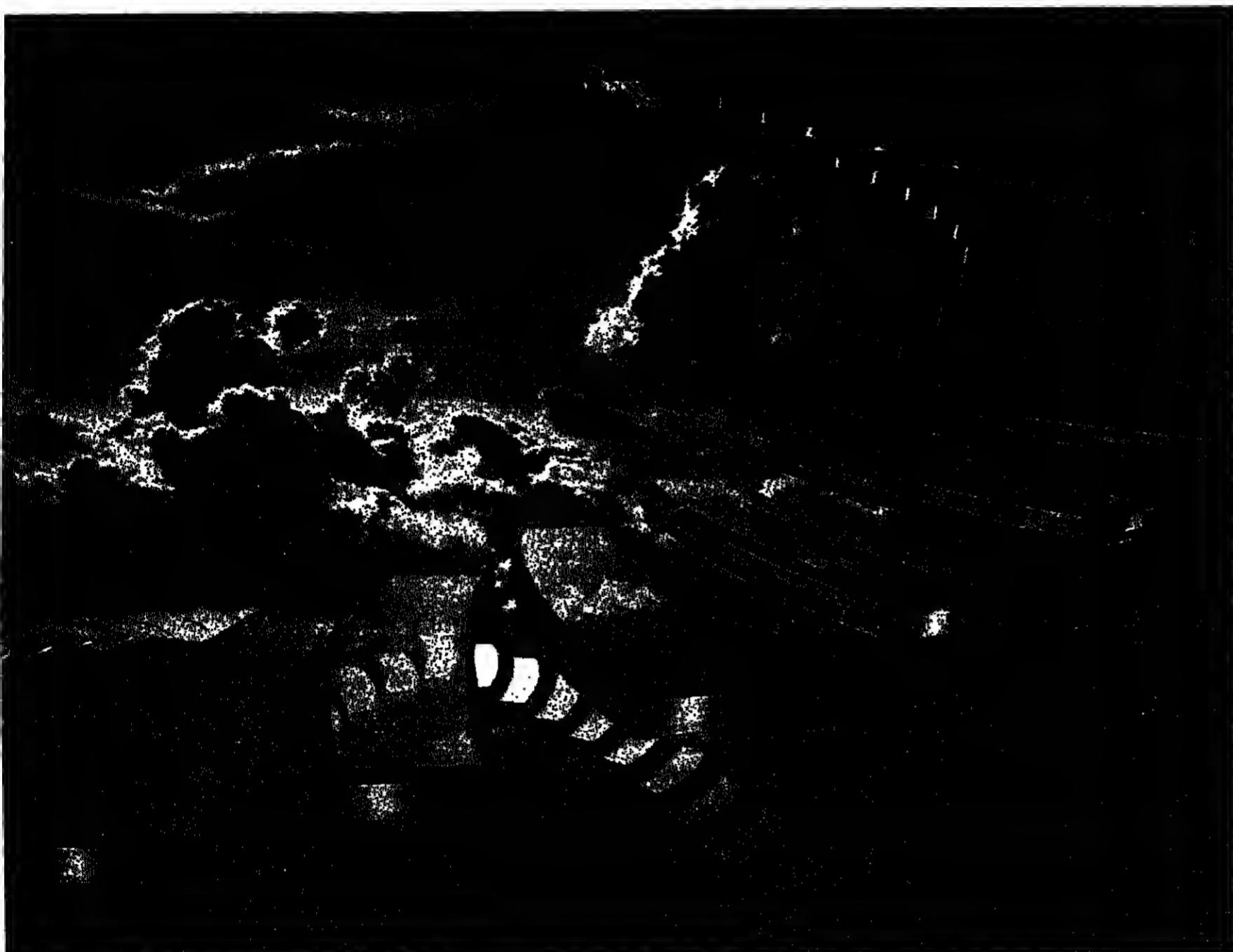
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A NEW NAME LEADING TELECOMMUNICATIONS IN ITALY



TELECOM ITALIA

was set up on 18 August 1994 through the merging of five companies (SIP, Italcable, Iritel, Telespazio and Sirm) that had until then managed Italian telecommunications separately, and has thus become a global operator in a completely new framework.

TELECOM ITALIA

is now the sixth largest telecommunications operator in the world in terms of turnover and one of Europe's prime investors in the sector. It is a joint-stock company with almost 70,000 investors and 18% of its share capital is held by foreign shareholders.

TELECOM ITALIA

has a worldwide presence with 18 representative offices with a large number of other corporate entities, it also has a wide-spread commercial network geared to provide, even abroad a speedy, integrated and innovative answer to the communications requirements of people and companies.

"A sharp decline in financial charges achieved thanks to ongoing economic and financial consolidation is the clear result of a policy based on rational and integrated organisation, further strict cost reduction measures and carefully selected large-scale economies in order to become competitive in a free market".
(Francesco Chirichigno)

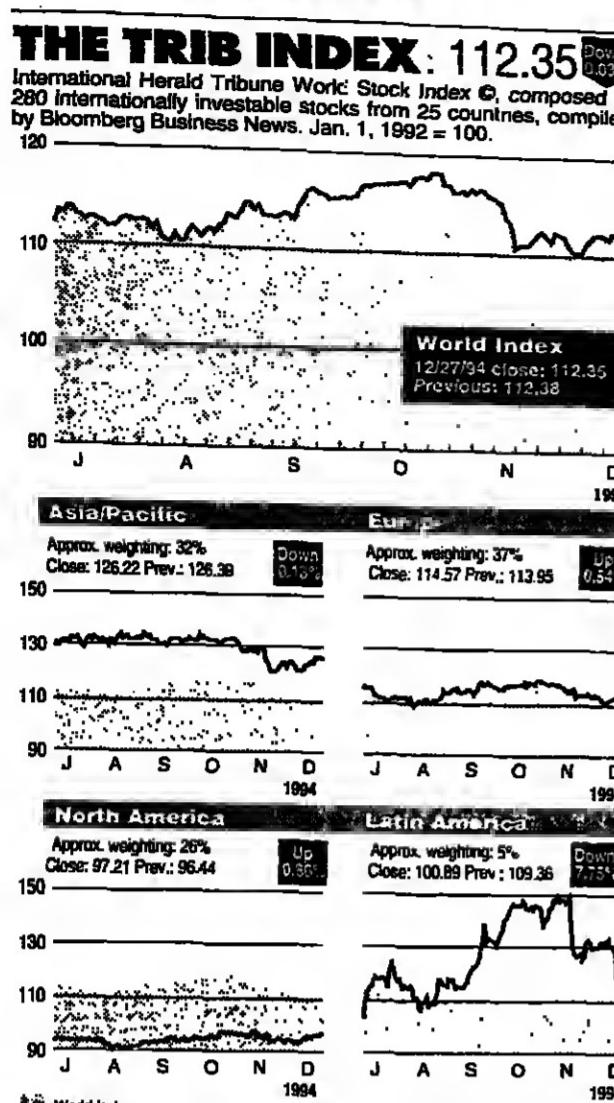
Managing Director

THE FIRST SIX MONTHS OF TELECOM ITALIA

	30.06.94	31.12.93*
REVENUES (BILL)	14.276	23.404
ADDED VALUE (BILL)	11.345	18.164
ADDED VALUE / REVENUES (%)	79,5	77,6
GROSS OPERATING MARGIN (BILL)	7.994	12.327
GOM / REVENUES	56	52,7
OPERATING PROFIT (BILL)	3.136	3.796
NET FINANCIAL CHARGES / REVENUES (%)	5,3	9,8
PROFIT BEFORE TAXATION (BILL)	2.175	1.741
INVESTMENTS (BILL)	3.680	7.963

*1993 FIGURES REFER TO MERGED COMPANY SIP

TELECOM ITALIA - Direzione Generale - via Flaminia, 189 - 00196 Roma



Industrial Sectors	Prev. close	Prev. close	% change	Prev. close	Prev. close	% change	
Energy	112.66	112.14	+0.46	Capital Goods	113.35	113.13	+0.19
Utilities	120.69	122.12	-1.17	Raw Materials	131.82	131.54	+0.21
Finance	111.73	113.68	-0.13	Consumer Goods	104.15	103.99	+0.54
Services	110.09	111.01	-0.83	Miscellaneous	116.81	116.51	+0.26

For more information about the index, a booklet is available free of charge. Write to Trib Index, 181 Avenue Charles de Gaulle, 92521 Neuilly Cedex, France.

© International Herald Tribune

Trygg In Deal With Zurich on U.S. Unit

Reuters

STOCKHOLM — Trygg-Hansa AB said Tuesday it had provisionally agreed to broad cooperation with Zurich Insurance Co., which includes the Swiss company's takeover of Trygg's troubled U.S. operation, Home Holdings Inc.

The deal would cancel a previous agreement with a group of American investors to take over Home Holdings, Trygg said.

The Swiss company, one of the world's biggest insurance groups, will help restructure Home Holdings and take over its current insurance business in exchange for between \$100 million and \$150 million.

The deal set Trygg's B shares up 2 kronor, to 80 (\$10).

The chief executive of Trygg, Lars Thunell, in the job for less than two months after being drafted to fix the troubled company, said the deal offered several advantages.

"We are starting strategic cooperation with a world-leading company with a global network," he said. "This will give great advantages for Trygg-Hansa and our industrial insurance clients, both in Sweden and abroad."

The deal with Zurich does not include exchanging equity stakes, Mr. Thunell said.

Trygg's write-off costs due to Home will be limited to 2.3 billion kronor with the Zurich deal, compared with a 2.8 billion kronor burden that the U.S.-brokered deal would have left.

Zurich will provide Home with a 10-year loan worth \$98 million and take over some of the firm's operating credits. It also will buy shares in Home from Trygg and Home will offer to buy back its own shares not owned by Trygg or affiliates for \$10 each.

The dollar rose to 5.650 pesos here Tuesday, up from 5.075 pesos Monday. Mexico's Bolsa stock index dropped 2.84 percent, to 2,276.21 points.

The peso has lost about 40 percent of its value since Dec. 21, when the government devalued the currency and then al-

lowed it to float on foreign ex-change markets without restrictions shortly after.

The country's currency crisis has sparked fears among investors that Mexico will have trouble repaying some of the more-than-\$5 billion worth of dollar-denominated debt maturing over the next six weeks.

About \$774 million worth of Tesobonos, or government securities, mature on Thursday. The dollar-denominated instruments are repaid in pesos at the prevailing exchange rate. The bonds are popular with foreign investors because they guaran-

tee that gains from the securi-ties are not affected by fluctuations in the exchange rate.

That means the Mexican govern-ment could be in a tight spot if investors fail to roll over their holdings of Tesobonos. The central bank's foreign-currency reserves were depleted by a two-day battle to defend the peso last week.

The central bank managed to sell just \$27.6 million worth of 91- and 182-day Tesobonos at its auction on Tuesday, out of a total of \$600 million of debt

See PESO, Page 10

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MEDIA MARKETS

Ad Firms Seek Superhighway Entrance

By Daniel Tilles

Special to the Herald Tribune

P ARIS — The so-called Information Superhighway has the advertising industry abuzz. Virtually every executive in the business agrees interactive technology will profoundly alter the way advertising looks, is delivered to consumers and functions.

Beyond that, however, ideas turn vague. Presentations on the subject from chief executives of advertising agencies highlight the uncertainty; they are mostly a mixture of broad industry hypotheses and hype, with the occasional simulated interactive TV commercial thrown in for show.

But while executives struggle to make sense of a complex and rapidly evolving big picture, many are seeking to position their agencies as key players in the emerging interactive world. Companies such as Interpublic Group of Cos., the New York-based holding company for the ad agencies McCann-Erickson, Lintas Worldwide and Lowe Group, have been seeking alliances with software, entertainment and technology development companies.

At the same time, IPG and other agencies are launching interactive advertising projects with clients, getting their feet wet together in the world of cybermarketing.

"People are uncertain because it's very difficult to predict what the consumer really wants and what they're willing to pay for," said Martin Sorrell, chief executive of WPP Group PLC, the British com-

pany that owns J. Walter Thompson and Ogilvy & Mather. "There's a whole lot of technology in search of a solution," added Eric Salama, director of strategy at WPP.

The problem is twofold. Although virtual reality, interactive television and online computer services are all in relative

There's a whole lot of technology in search of a solution.

Eric Salama, director of strategy at WPP Group.

states of infancy, they are still further advanced than the marketing and advertising applications that will use them. Moreover, nobody knows which systems will ultimately be accepted by the public and which will fail, leaving marketers, like everyone involved in the interactive world, a bit reluctant to take huge risks.

"You need to put information out there to see what people want," said Lanny Baker, a media analyst for Salomon Brothers Inc. in New York.

Experimentation is exactly what agencies and marketers are starting to do.

Bates Dorland in London, part of the Bates Worldwide agency, has begun advertising for Grolsch beer on the Internet.

Combining pieces of current TV advertising with newly created on-line

characters, users can follow a series of steps and ultimately win T-shirts.

"The Internet is a way to try and make Grolsch more contemporary," said Andy Bryant, board account director at Bates Chiat/Day/Mojo Inc. Advertising in New York and Los Angeles, is taking to the Internet in January. The agency will offer potential clients the opportunity to test ideas before making a financial commitment, said Ira Matahia, managing director of the New York office. A compilation of agency commercials will be on-line, too, as will discussions of interactive media topics.

"It's a destination site for people interested in the broader issues facing media, marketing and advertising," Mr. Matahia said.

A second question facing agencies is how advertising will evolve in the interactive world. Although traditional TV commercials will probably play a role for years to come, "we expect a sea change in advertising creativity," said Philip H. Geier Jr., chairman and chief executive of Interpublic.

He predicted that programming and advertising would eventually merge, turning into what he called advertisement.

Andrew Frank, vice president of o2w technology at Q&M Direct in New York, the direct marketing group at Ogilvy & Mather, said marketers would need subtle techniques to advertise their brands and corporate images.

O&M is working on a project with Knowledge Adventure Worlds, a San

Francisco-based company.

See FUTURE, Page 10

CURRENCY & INTEREST RATES

Cross Rates

Dec. 27

	S	E	D.M.	F.F.	Lira	D.F.	R.P.	S.F.	V.N.	C.S.	Peso
Amsterdam	1.248	1.2784	6.2010	5.954	1.2500	1.2540	1.2540	1.2540	1.2540	1.2540	1.2540
Frankfurt	1.205	1.2265	5.954	5.9326	1.2050	1.2050	1.2050	1.2050	1.2050	1.2050	1.2050
London (2)	1.277	1.2287	6.2010	5.954	1.2770	1.2770	1.2770	1.2770	1.2770	1.2770	1.2770
Madrid	1.2261	1.2509	6.2025	5.954	1.2261	1.2261	1.2261	1.2261	1.2261	1.2261	1.2261
Milan	1.2116	1.2509	6.2025	5.954	1.2116	1.2116	1.2116	1.2116	1.2116	1.2116	1.2116
New York (3)	1.1545	1.1558	5.942	5.9125	1.1545	1.1545	1.1545	1.1545	1.1545	1.1545	1.1545
Paris	1.542	1.524	6.2025	5.954	1.5420	1.5420	1.5420	1.5420	1.5420	1.5420	1.5420
Tokyo	1.163	1.1545	5.942	5.9125	1.1630	1.1630	1.1630	1.1630	1.1630	1.1630	1.1630
Toronto	1.2025	1.2025	6.2025	5.954	1.2025	1.2025	1.2025	1.2025	1.2025	1.2025	1.2025
Zurich	1.2025	1.2025	6.2025	5.954	1.2025	1.2025	1.2025	1.2025	1.2025	1.2025	1.2025

Forward Rates

Currency 30-day 60-day 90-day Currency 30-day 60-day 90-day

Canadian dollar 1.2025 1.2025 1.2025 Canadian dollar 1.2025 1.2025 1.2025

French franc 1.2025 1.2025 1.2025 Japanese yen 9.94 9.92 9.90

Swiss franc 1.2025 1.2025 1.2025

Other data: ING Bank (Amsterdam); Indesit Bank (Brussels); Banca Commerciale Italiana (Milan); Royal Bank of Canada (Toronto); IMF (SDR). Other data from Reuters and AP.

Eurocurrency Deposits

Dec. 23

Dollar	D-Mark	Swiss Franc	Sterling	French Franc	Yen	ECU
1-month	376-4	516				

MARKET DIARY

Bonds and Mexico Support Wall Street

Compiled by Our Staff From Dispatches

NEW YORK — Stocks prices rose in light volume Tuesday, as bond prices jumped and as investors shifted away from foreign markets as the Mexican peso slid.

Electrical equipment makers, automakers and soft-drink issuers paced the advance. But re-

U.S. Stocks

tail stocks and Mexican issues traded on U.S. markets bucked the upward trend, ending sharply lower.

The Dow Jones industrial average rose 28.26 points, to 3,861.69, helped by General Electric, which closed up 1%, at 51%, and by United Technologies, which ended 1 higher, at 63%.

Advancing issues outnumbered declines by a 7-to-6 ratio on the New York Stock Exchange, where volume totaled 211.2 million shares.

Jitters about the Mexican

peso supported the U.S. market as investors switched from riskier, so-called emerging market investments into U.S. blue-chip stocks, said Michael Metz, investment strategist at Oppenheimer & Co.

On the NYSE most-active list was Teléfonos de México, which dropped 2%, at 38%, and Mexico Fund, which fell 2%, to 20%.

American banks that make loans or hold securities linked with Latin America also came under fire, making the banking industry among the day's worst performers. Citicorp dropped 1% to 40%, Chemical Banking dropped 4%, to 36%.

The 30-year Treasury bond yield fell to 7.76 percent from 7.83 percent on Friday as prices rallied, partly in response to a report from the National Association of Realtors that said sales of previously owned homes fell in November to the lowest level in 17 months.

(AP, Bloomberg)

PESO: Economic Crisis Deepens

Continued from Page 9

scheduled to be sold. The sluggish demand drove interest rates on the 91-day securities to 10.49 percent, the highest level this year.

Mexican businesses, meanwhile, are becoming convinced that the government has lost control of the economy.

"Mexican society must have a clear vision of where this country will be headed in the coming

Foreign Exchange

"months," said Antonio Sanchez Diaz de Rivera, head of the powerful business lobby Coparmex.

But that may not be forthcoming soon. President Ernesto Zedillo de Leon postponed a speech on the government's strategy for dealing with the economic crisis that had been scheduled for Tuesday to until at least Jan. 2.

Adding to worries for investors and businesses are signs that the year-old uprising in the southern state of Chiapas is about to heat up. The Zapatista guerrillas there are engaged in a game of cat-and-mouse with government security forces after evading a military cordon around their jungle stronghold in the east of the state.

Government troops were reported to have moved closer to the Zapatista stronghold in the

Meanwhile, the dollar slipped against European currencies in New York trading and edged up against the yen in thin trading marked by speculation as to whether the Federal Reserve Board would raise rates at its next policy-making meeting on Jan. 31.

The dollar ended at 1,5758 Deutsche marks, down from 1,5793 DM Monday, at 5,4420 French francs, down from 5,4525 francs, and at 1,3302 Swiss francs, down from 1,3329 francs. It rose to 100.300 yen from 100.120.

(Bloomberg, AP, Reuters)

past few days, raising tensions in the area even though neither side has fired a shot in more than 11 months.

U.S. government officials are keeping a close eye on Mexico's economy, especially in light of the close ties being formed under the North American Free Trade Agreement.

"We are in close contact with the Mexican and Canadian authorities regarding the situation in currency markets and recognize that excessive depreciation is in no one's interest," Lawrence Summers, the U.S. Treasury undersecretary, said Tuesday.

He contended that Mexican economy was fundamentally more sound than the peso's drop suggested.

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(Bloomberg, AP, Reuters)

Continued from Page 9

rules as the regulators. "They don't have a regulatory mind-set. It's, 'whatever we can do to help these guys out,'" said Adrian du Plessis, a former trader and author of a book about the Vancouver exchange.

Mr. du Plessis worked for several months as an investigator at the securities commission, then quit earlier this year.

charging that regulators were not interested in going after the bad guys.

John Woods, president of the publication Stockwatch, said the commission displays "an astounding lack of curiosity."

Mr. Holley denied this, saying the problem is that the commission lacks resources and legal backup. With more support, he said, the commission could

Spanish Stocks Fall On Political Unease

Compiled by Our Staff From Dispatches

MADRID — Stock prices fell to 1994 lows Tuesday as opposition parties demanded the resignation of Prime Minister Felipe González over alleged illegal activities by former government officials involved in anti-terrorism.

Spanish bond prices also fell, driving yields to near 20-month highs, as the widening political scandal threatened to undermine the Socialist government.

The Boira de Madrid's General Index dropped 3.60 points, or 2.82 percent, to 284.62. The IBEX 35-share index ended the session down 101.23 points, or 3.17 percent, at 3,088.05.

The yield on the 10-year government bond rose to 11.59 percent from 11.56 percent on Friday, the highest since May 11, 1993. The price, which moves inversely to the yield, dropped to 79.89 from 80.10. The five-year bond yield rose to 11.37 percent from 11.35 percent.

The uncertainty about the government's future stems from charges that the former head of state security, and two other high-ranking officials involved in fighting terrorism by Basque separatists, created an unofficial police force that used some of the terrorists' own violence in anti-terrorism.

Two former police officials were quoted in the newspaper El Mundo as saying the unofficial force, known as the Anti-terrorist Liberation Group, was set up and backed by other government officials.

Mr. González has denied any government involvement.

Traders said the bearish sentiment that prevailed throughout the day became more intense after the call for

Confidence Surged in December

NEW YORK (Combined Dispatches) — Consumer confidence in the economy strengthened in December to its highest level in four-and-a-half years, helped by the perception that jobs are easier to find and inflation remains low, the Conference Board said Tuesday.

The business research group's index of consumer sentiment, based on survey results, rose to 102.2, up from a revised reading of 100.4 in November. The index, calculated from a base of 100, is derived from responses to questions sent to 5,000 households nationwide. The reading was the highest since 102.4 in June 1990.

But a report by the National Association of Realtors said that sales of existing single-family homes fell to the lowest level in 17 months in November as rising mortgage rates pushed buyers out of the market. Sales dropped 2.6 percent to a seasonally adjusted annual rate of 2.81 million.

Separately, Visa said that a record \$1 billion of retail sales transactions were made using its credit cards on Friday. While that is the record for retail transactions on a single day, the company said total transactions amounted to \$1 billion on 10 different days during the holiday shopping season.

(AP, Knight-Ridder)

Vehicle Production at 16-Year High

DETROIT (Bloomberg) — North American car and truck production hit a 16-year high of about 15.75 million for 1994, including record output in Canada and Mexico, Ward's Automotive News said Tuesday.

With all vehicle plants having ended production for the year on Monday, car and truck output was estimated rising 10.4 percent from the actual count of almost 14.23 million in 1993, the weekly statistical publication said.

Ward's attributed robust levels in 1994 to production capacity increases in Mexico, transfers by Asian-based automakers of capacity to North America, and a strong U.S. economy.

UPI Says AT&T Seeks Joint Venture

WASHINGTON (Bloomberg) — United Press International, the news agency that was bought by Middle East Broadcasting Co. in 1992, said Tuesday it was in talks with AT&T Corp. to form a venture, possibly to provide on-line information services.

A joint-venture agreement would further enhance AT&T's push into the \$6 billion on-line services market. AT&T bought Ziff Communications Co.'s on-line business last week.

MCI Communications Corp. and Ameritech Corp. have also talked to UPI about a joint venture, said Ron MacIntyre, UPI's vice president of marketing.

Two U.S. Healthcare Firms Team Up

TAMPA, Florida (Bloomberg) — Beverly Enterprises Inc. said Tuesday it would buy Pharmacy Management Services Inc. in a stock swap valued at \$148.5 million, or \$16.50 per Pharmacy Management share. Pharmacy Management, which had \$113 million in revenue last year, sells drugs, medical supplies and equipment to workers' compensation insurers and claimants in all 50 U.S. states. Beverly Enterprises, which had \$2.9 billion in revenue last year, is the largest U.S. provider of long-term health-care services.

For the Record

Rite Aid Corp., the largest U.S. drug store chain, said it had agreed to acquire Perry Drug Stores Inc. for \$11 a share, or about \$132 million in cash.

GTE Corp. said it increased to \$25.50 a share from \$22.50 the amount it plans to pay for 10 million shares of Contel Cellular Inc. and Contel's board approved the transaction. GTE already owns the rest of Contel.

(AP, DJI)

Weekend Box Office

The Associated Press

LOS ANGELES — "Dumb and Dumber" dominated the U.S. box office again with a gross of \$15.7 million over the weekend. Following are the Top 10 moneymakers, based on Friday ticket sales and estimated sales for Saturday and Sunday.

1. "Dumb and Dumber"	(\$15.7 million)
2. "Street Fighter"	\$11 million
3. "The Santa Clause"	\$9 million
4. "Die Hard With a Vengeance"	\$4.5 million
5. "Little Women"	\$4.5 million
6. "The Jungle Book"	\$3 million
7. "Warner Brothers"	\$2.5 million
8. "Richie Rich"	\$2 million
9. "Hell"	\$1.5 million
10. "Scooby-Doo"	\$1.2 million

Note: Figures are estimates. Box office totals are in millions.

(Bloomberg)

GTE Corp. said it increased to \$25.50 a share from \$22.50 the amount it plans to pay for 10 million shares of Contel Cellular Inc. and Contel's board approved the transaction. GTE already owns the rest of Contel.

(AP, DJI)

FUTURE: Ad Industry Seeks Ways to Tap Information Superhighway

Continued from Page 9

do an end-run around classic ads. Messages will have to be hidden."

Absolut Vodka sought a more subtle sell with an interactive project launched in 1994 called the Absolut Museum. Working again with O&M and using a combination of CD-ROM, or compact disk, read-only memory, and the ComputerServe on-line service, the vodka maker created a virtual art gallery whereby users could view more than 200 color print ads done for Absolut.

Agencies also are racing to understand what consumers will want from interactive advertising. "If you think you can create an experience which will be so

powerful it will change consumer habits overnight, that's what's wrong," said Steven Weiss, chairman of Quest & Associates, an Atlanta research group owned by Interpublic.

Mr. Weiss said it would one day be possible to call up an ad for a specific automobile at a TV or computer screen at home, day or night, with as much advertising detail as desired. Pushing a button could instantly generate a coupon offering a free test drive at the nearest dealer.

Still be cautioned that mass acceptance of advertising-on-demand and other techniques would be measured in years.

"If you think you can create an experience which will be so

easily triple the 50 to 60 cases it brings each year.

In Canada, the securities business is regulated by the provinces, not the national government. This gives the stock exchanges a regional character. But in the 1980s, the Vancouver exchange's managers decided to move into commercial and industrial sectors.

In British Columbia, however, there is a long tradition of unregulated free enterprise. The Vancouver exchange was

founded in 1907 principally as a mechanism for financing the growing mining and, later, oil and gas industries. Even then, the Vancouver exchange was known as a frontier exchange.

But in the 1980s, the Vancouver exchange's managers decided to move into commercial and industrial sectors.

Donald J. Hudson, president of the Vancouver exchange, said the exchange suffers mostly from image problems.

WORLD STOCK MARKETS

Agency France Presse Dec. 27

Close Prev.

Close Prev.</

Strong Sales Drive Earnings Up at Mercedes

Compiled by Our Staff From Dispatches

STUTTGART — Mercedes-Benz AG said Tuesday that it returned to healthy profit this year and expected to be "well into the black" after posting a loss of 1.2 billion Deutsche marks (\$762 million) in 1993.

Helmuth Werner, chairman of the management board, said 1994 had been a successful year for the Daimler-Benz AG subsidiary and that a turnaround had been achieved in many sectors and started in others.

"We have good reasons for optimism because the direction and the speed are right," he said. "But we are still far from our goal."

He said Mercedes sales worldwide would be up about 9 percent this year at around 70 billion DM. Mercedes accounts for two-thirds of Daimler's sales.

Vehicle deliveries will be about 15 percent above those in 1993, with 565,000 cars delivered and 290,000 trucks and buses sold. The company said it expected deliveries of cars to increase at a similar rate next year, despite the redesign of its E-Class car. Commercial vehicle deliveries should post "a clear rise to over 300,000 units," Mr. Werner said.

The company's new, modestly priced C-Class model ac-

counted for much of the sales increase, selling 300,000 units. Unit sales of the S-Class will be around 60,000 in 1994, representing an increase in its market share globally, compared with a year earlier, Mr. Werner said.

He added that the company's outlook in the auto sector next year depended on the reception of the new E-Class models.

Overall sales this year remained positive in growth markets such as Eastern Europe and Asia, the company said.

■ **Adidas Predicts Advance**

The parent company of Adidas AG, the German sportswear maker, said Tuesday it expected group 1994 revenue and pretax profit to show a significant rise from year-ago levels. Reuters reported from Frankfurt.

Adidas International Holding also said profit would improve further next year.

The company said earnings this year would top 100 million DM, up from 34.2 million DM earned in 1993. Revenue should rise around 20 percent from the 2.6 billion DM seen in 1993.

Adidas said the rising profitability confirmed the strength of its recovery begun in 1993 after it posted a loss of about 150 million DM in 1992.

(Reuters, AFP)

Ukraine Deal a Wet Firecracker

U.S. Firm Chases Peace Dividend in Recycling Project

By Jane Perlez
New York Times Service

ICHNYA, Ukraine — When Alliant Techsystems Inc., one of the Pentagon's biggest munitions suppliers, signed a contract with Ukraine last year, the company believed it was on the fast track to making money out of the end of the Cold War.

Transforming large quantities of unwanted conventional weapons for civilian use looked like the wave of the future for Alliant, which is based in Hopkins, Minnesota, and until four years ago was a part of Honeywell Inc.

Alliant makes weapons ranging from torpedoes to cluster bombs, but it's like other U.S. defense contractors — it faces declining orders.

With the Ukrainian government sharing the profits and with Alliant providing the industrial equipment needed for the conversion of tank ammunition, artillery shells and mortar rounds to scrap, there seemed little to stop the project from roaring ahead.

But as with many business deals in the former Soviet Union, the process here has been slower and more painful than Alliant anticipated.

More than 50 rail cars, loaded with 5,000 tons of punctured rocket cases to be sold as scrap steel in Turkey, sit at the Druzhba military base near this village, waiting for export licenses.

Several hundred tons of brass, cut from artillery shells into flat rods by Alliant's newly patented high-pressure water equipment, are bound for the United States but have been held up by Ukrainian customs.

The sorting, defusing and cutting of the munitions at the Druzhba base, 160 miles (258 kilometers) northeast of Kiev, represent the first industrial-scale effort to demilitarize weaponry in the former

Soviet Union by using new technologies, according to Larry Blagdon, general director of ordnance for Alliant.

In the past, the amount of weaponry discarded in the West and the former Soviet bloc was relatively modest, and the most common methods of disposal were burning, dumping or detonation — none of which are considered environmentally sound.

Finding new ways to dismantle some of the weaponry has not been easy. Al-

lant uses decision-making methods. "It's more top-down in Ukraine, more bottom-up in the United States," Mr. Blagdon said.

Mr. Blagdon, who is the principal architect of Alliant's foray into demilitarization, said the obstacles have been frustrating. "The fact of the matter is the project is a good idea," he said on a visit to Kiev to try to iron out the difficulties. "It fits the needs of the Ukrainian government and Alliant Techsystems needs to make a profit."

The concept of the Ukrainian deal is to concentrate on weapons that produce high-grade scrap, like brass, and export it to the West. Explosives from the ammunition will be recycled for use in Ukrainian coal mines. Demand for brass in the West more than covers low Ukrainian salaries, which run from \$1 to \$2 a day, and the packing and transportation of the scrap.

Alliant has calculated the value of material from the munitions at \$100 million and the cost of dismantling at \$57 million. The \$43 million difference is to be roughly split between Alliant and the Ukrainian government.

The contract with Ukraine calls for the destruction of 220,000 tons of weapons out of an estimated 750,000 tons of excess inventory. But Alliant has its eyes on much more business in Russia, which Mr. Blagdon said had an estimated 35 million tons of unwanted munitions.

Alliant said it had invested \$11 million of an expected \$17 million in Ukraine so far. It has built a 12-mile (19-kilometer) power transmission line, constructed a road and installed equipment from the United States.

"I expect to be cash positive by next year," Mr. Blagdon said. "But there is a lack of appreciation for the fact that our only source of revenue is production."

Ukrainian officials say they have met walls of suspicion in their efforts to see blueprints of how 1930s artillery shells were made. Understanding how the shells were constructed is a precursor to taking them apart safely.

"In spite of the fact that the stuff is all relatively ancient and has been sold all over the world, the blueprints are still officially a secret," said Felix Sahl, the financial officer of Alliant-Kiev, the joint venture that Alliant formed with the Ukrainians.

More tension ensued when a Ukrainian general asked Alliant for a \$100,000 loan to meet a monthly military payroll. The company refused.

Then there is the labyrinthine Ukrainian bureaucracy, with its differences

between U.S. decision-making methods. "It's more top-down in Ukraine, more bottom-up in the United States," Mr. Blagdon said.

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Investor's Europe

Frankfurt	London	Paris
DAX	FTSE 100 Index	CAC 40
2300	3300	2200
2200	3200	2100
2100	3100	2000
2000	3000	1900
1900	2900	1800
JASON P 1994	JASON P 1994	JASON P 1994
Exchange	Index	Tuesday
Amsterdam	AEX	Close
Brussels	Stock Index	7,255.65
Frankfurt	DAX	2,106.15
Frankfurt	FAZ	787.02
Helsinki	HEX	1,836.57
London	Financial Times 30	Closed
London	FTSE 100	Closed
Madrid	General Index	2,071.01
Milan	MIBTEL	10,260
Paris	CAC 40	1,865.99
Stockholm	Affaersvaerden	1,860.09
Vienna	ATX Index	1,055.28
Zurich	SBS	939.93

Sources: Reuters, AFP

International Herald Tribune

Very briefly:

• Kaufhof AG, the German retailer, is seeking permission from the German cartel office to merge its travel unit with the travel company Touristik Union International GmbH.

• Turkish Cyprus tax authorities said they were paid about \$390,000 in tax debt several hours before the expiration of a government deadline from the assets of Polly Peck International PLC by Asil Nadir, a fugitive tycoon.

• Credit Suisse, a unit of CS Holding AG, said it was the lead bidder for a stake in Hungary's state-owned Budapest Bank.

• Russia's producer of Lada cars, AvtoVAZ, was the leader in East European car sales in the quarter ended in June.

• Internationale Nederlanden Groen NV, the Dutch financial company, said it wanted to team up with De Postcheque, which runs Belgium's post offices, to use those outlets to sell ING savings products, mortgages and insurance.

• Sasib SpA, an Italian machinery producer, said it bought the bottling machinery operations of Figgie International Inc. for an undisclosed amount.

Reuters, AFX, AFP, Bloomberg, AP-DU

Back From the Brink, Banesto Is Recovering Its Balance

Bloomberg Business News

MADRID — A year after the Bank of Spain moved to end the financial chaos at Banco Españo de Crédito SA, that bank is slowly regaining strength, while its former president, Mario Conde, ponders his future from a prison cell.

Banesto has survived the crisis that nearly caused its liquidation and cut short the career of Mr. Conde, analysts said.

"It's been recovered from bankruptcy," said Jason Maude, managing director of Dillon Read Securities in London. "They've imposed proper credit controls, and they have recovered some debt. The share price has reflected that."

"What we're looking at now is the hard grind to bring Banesto up from a bank that's been saved from bankruptcy to a profitable retail bank."

Mr. Conde, 46, was remanded to prison Friday

by a criminal-court judge on charges of fraud and embezzlement of up to 7 billion pesetas (\$33 million) of Banesto's shareholders' funds. His lawyers said they would appeal the measure.

The detection came almost a year after the Bank of Spain fired Mr. Conde and his management team, citing a shortfall of 605 billion pesetas in shareholders' funds. The resulting crisis ended in April, when Banco Santander bought a controlling stake in Banesto for \$2.28 billion.

Since then Banesto has been slowly regaining the confidence of depositors and investors as its new owners make good on their promise to sell nonbank assets and focus on retail banking, Banesto's real strength.

Banesto has predicted that Banesto will turn a 20 billion peseta profit in 1995, increasing to 30

billion pesetas in 1996 and 40 billion pesetas the year after.

During the year, Banesto recovered 120 billion pesetas of the 869 billion pesetas in bad loans it held on Jan. 1.

Banesto also regained between 350 billion and 400 billion of the 500 billion pesetas in deposits withdrawn in the months after the intervention. It also earned 45 billion pesetas by selling industrial assets formerly held by its Corporación Financiera Industrial.

Investors have welcomed these moves, as reflected in Banesto's share price. After a one-month suspension from trading after the intervention, Banesto returned to trading on the Madrid bourse on Feb. 1, at a price of 686

pesetas per share. On Tuesday, Banesto shares closed at 928 pesetas.

Analysts said confidence in Banesto was underscored by a recent share sale to Santander shareholders, which ended Dec. 20. Santander stockholders bought 6.3 percent of the 8.7 percent of Banesto they were offered, at a price of 783 pesetas per share. Since buying a 73.45 share of Banesto in April, Santander has whittled its stake down to 48.5 percent.

Corso Fund, managed by J. P. Morgan & Co. of the United States, was one of the buyers. It bought 1 percent of Banesto, raising its stake to 4.19 percent. Before the Bank of Spain's intervention, Corso was Banesto's largest individual shareholder, with nearly 8 percent of the stock.

Morgan had been helping Banesto raise capital before the Bank of Spain stepped in.

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NOTICE TO UNITHOLDERS

A revised edition of the Sales Prospectus dated December 1994 will be available shortly. The essential changes comprise i) the closure of the ECU and Italian Lire portfolios, ii) inclusion of a section on the possible use of structured notes and warrants and iii) the removal of the paragraph dealing with "subscriptions in kind" (Article 6 of the management regulations will be modified accordingly).

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NASDAQ
National
Stock
Exchange

Tuesday's 4 p.m.
This list compiled by the AP, consists of the 1,000 most traded securities in terms of dollar value. It is updated twice a year.

AMEX

Tuesday's Closing

Athletes

SPORTS

Matchups To Watch in NFL Playoffs

By Leonard Shapiro

Washington Post Service

MIAMI — The first weekend of the National Football League playoffs offers several intriguing story lines, including a matchup of two of the game's all-time marquee quarterbacks and a reprise of a game between the New England Patriots' coach, Bill Parcells, and the Cleveland Browns' coach, Bill Belichick, who was Parcells' defensive coordinator when both were with the New York Giants.

And, oh yes, the National Football Conference Central Division — once and perhaps still appropriately known as the Black and Blue Division — gets to beat up on itself all over again in the NFC wild-card games.

The quarterback duel will take place in a Super Bowl setting Saturday in Joe Robbie Stadium — site of this year's Super Bowl XXIX — when Dan Marino and the Miami Dolphins play host to Joe Montana and the Kansas City Chiefs.

Both teams have staggered to the finish line and both quarterbacks probably will be limping, Marino on a leg that's been bothering him since last year's Achilles' tendon surgery and Montana on a knee bruised in Saturday's must-win against the Los Angeles Raiders.

The outcome of Monday night's contest determined the two NFC wild-card sites. Since Minnesota won, the Detroit Lions will play the Packers in Green Bay on Saturday and the Chicago Bears will play the Vikings in Minneapolis on Sunday.

None of those NFC Central teams is expected to go much farther, not with the Dallas Cowboys and the San Francisco 49ers looming in the next round.

The 49ers, whose 13-3 regular season record is the league's best, open their drive to the Super Bowl on Jan. 7; the two-time defending champion Cowboys (12-4) play Jan. 8.

The Steelers (12-4) and with the home field throughout the AFC playoffs, play at Three Rivers Stadium on Jan. 7; the San Diego Chargers (10-6) host the game on Jan. 8, with both teams' opponents to be determined this weekend.

The Dolphins come in as the



Cardyn Stewart/The Associated Press

mystery team of the playoffs because no one, including themselves, can figure them out. Will it be the team that scored 27 first-half points against the Lions on Sunday night, limiting Detroit to 17 yards and no first downs over the same span? Or will it be a team that scored no touchdowns against Indianapolis the week before?

On Monday, their coach, Don Shula, wasn't in much of a mood to explain his team's inconsistency in a year when the Dolphins started 7-2, then lost four of their next six before clinching the AFC East title.

"Are we the only team that has these problems?" he bristled. "Everybody but San Francisco could ask the same question, too."

The Dolphins had little difficulty handing the Chiefs in the teams' Monday night game in Miami three weeks ago. Miami prevailed, 45-28, but Montana did not play because of a sprained foot.

The Dolphins come in as the

Playoff Glance

WILD-CARD GAMES
Saturday, Dec. 31
Detroit or Green Bay, 1730 GMT
Kansas City or Atlanta, 1800 GMT
Sunday, Jan. 1
Jacksonville, 1730 GMT
Chicago or Minnesota, 2100 GMT

DIVISION PLAYOFFS
Saturday, Jan. 7
Cleveland, Kansas City or New England of Pittsburgh, 1730 GMT
Chicago, Detroit, Green Bay or Minnesota or San Francisco, 1800 GMT
Sunday, Jan. 8
Detroit, Green Bay or Minnesota of Dallas, 1730 GMT
Cleveland, Miami or New England or San Francisco, 2100 GMT

NOTE: The division champion with the best record plays the surviving wild-card winner with the lowest-ranking record. The division champion with the second-best record plays the other remaining wild-card playoff winner.

AFC AND NFC CHAMPIONSHIPS
Sunday, Jan. 15, 1730 GMT and 2100 GMT
SUPER BOWL
Sunday, Jan. 29, 2000 GMT in Miami

Having a healthy Montana makes a big difference to their football team," Shula said in understatement. "The playoffs are a whole new season and we've got to be ready to play a fine football game."

The Dolphins believe they can.

"We have all the potential of all the rest of the teams," said defensive end Marco Coleman. "We have just as good talent. If we do the same things we've been doing, we'll be fine."

Said linebacker Bryan Cox: "It's not the lottery. It's not putting a dollar down and hoping I win. It's putting all my work and all my time and hoping we can beat Kansas City."

While Miami-Kansas City has all the makings for lots of passing fancy, the New England-Cleveland get-together on the shores of Lake Erie ought to be down and dirty, just like the last time they met at the same site Nov. 6.

The Browns prevailed that day, 13-6, in a game marred by a pack injury sustained when the team's bus crashed into an overpass in Philadelphia.

• Peter May, one of England's finest batsmen and respected cricket officials, died Tuesday in Liptrot, England, after a short illness. He would have been 65 on New Year's Eve.

In 66 tests for England from 1951-61, he scored 4,537 runs at an average of 46.77. As captain, he led the team to 20 victories, with 10 defeats and 11 draws before he quit Test cricket comparatively early at 31. He retired from the game two years later because of business commitments.

Star Yankee Pitcher Reynolds Dies From Cancer at Age 79

The Associated Press

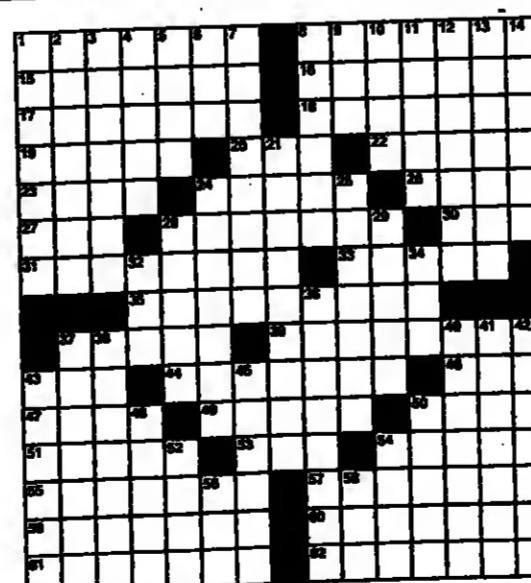
Brooklyn in 1952. He won the deciding game at Ebbets Field that year in relief.

He was forced to retire after the 1954 season because of a back injury sustained when the team's bus crashed into an overpass in Philadelphia.

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CROSSWORD



POSTCARD

Music Returns to Haiti

By Larry Rohter
New York Times Service

PORT-AU-PRINCE, Haiti — For two months now, ever since President Jean-Bertrand Aristide returned from exile, one particular song has been playing everywhere in Haiti. Called "Reconciliation," it has become a symbol of the mood of hopefulness that now prevails here.

But until this week, the Phantoms, the group that wrote and sang this infectious anthem of the new, democratic Haiti, could not themselves be found in their homeland.

Like the president they admire, they had been in exile in the United States. They recorded "Reconciliation" there last summer, hoping that their vision of peace would actually come to pass.

To Haitians, therefore, the return of the Phantoms and other performers is also a sign that the worst is over.

After three years of a military dictatorship that routinely used censorship and intimidation to control artistic expression, Haitian music is flowering again.

Songs and videos that were banned because of their coded political messages are again being broadcast. Bands that could not perform in public because of assassination threats have resumed playing. Record companies that had to shut down because of an economic embargo are back in business.

"The police aren't dragging people out of our shows at gunpoint anymore, it's safe for us to rehearse after dark, and I've even gone two or three weeks without scanning the crowd for weapons," said Richard Morse, lead singer of the voodoo rock group Ram, which had several hit songs banned by the military but remained in Haiti.

The creative resurgence comes at a time of heightened interest abroad in Haitian mu-

sic. Several compilations of Haitian music have been released by labels in the United States. A Ram song, "Ibo Lile," was included on the soundtrack of the movie "Philadelphia," and a Haitian band has opened for the Rolling Stones on their "Voodoo Lounge" tour.

But for Haiti's 7 million people, the restoration of free expression through music is seen as an essential part of the democracy they hope to build. In a country where three out of four people cannot read, songs are more than entertainment; they are a means of disseminating and debating ideas and opinions about politics, society and religion.

□

"As a top Haitian band, we're in a position to teach Haitians what democracy is all about, what human rights and education are worth," said King Kino, lead singer of the Phantoms.

"The problem in this country is one of information and how to get it to the people, and that is something we have a duty to do."

For the group Boukman Eksperyans, things got particularly difficult after they wrote a song called "Dangerous Crossroads" to protest the 1991 overthrow of François Duvalier.

"The military never attacked us directly, but a colonel told me never to go out at night," said Theodore (Lolo) Beauvoir, founder of the group, which is named for the leader of an 18th-century rebellion against French colonialism.

"People may want to think everything is all right now that Aristide has returned," Beauvoir said. "But we have to go further than that and let the politicians divide the people again. It is really important for us to be here and feel what's going on and talk about what we feel, to awaken the people and change the system."

Writing in The New York Times.

WEATHER

Europe

	Today		Tomorrow	
	H	L	W	L
Alps	646	646	646	646
Austria	646	646	646	646
Balkans	646	646	646	646
Belgium	646	646	646	646
Denmark	646	646	646	646
Finland	646	646	646	646
France	646	646	646	646
Germany	646	646	646	646
Greece	646	646	646	646
Iceland	646	646	646	646
Ireland	646	646	646	646
Italy	646	646	646	646
Latvia	646	646	646	646
Lithuania	646	646	646	646
Netherlands	646	646	646	646
Norway	646	646	646	646
Portugal	646	646	646	646
Spain	646	646	646	646
Sweden	646	646	646	646
Switzerland	646	646	646	646
United Kingdom	646	646	646	646
Yugoslavia	646	646	646	646

Legend: H=Humid; L=Light; W=Wind; L=Low; H=High; C=Cloudy; S=Snow; U=Unstable; C=Cold; J=Jawson; H=Heavy Rain; S=Heavy Snow.

Middle East

	Today		Tomorrow	
	H	L	W	L
Armenia	646	646	646	646
Georgia	646	646	646	646
Iraq	646	646	646	646
Jordan	646	646	646	646
Kuwait	646	646	646	646
Lebanon	646	646	646	646
Oman	646	646	646	646
Palestine	646	646	646	646
Saudi Arabia	646	646	646	646
Turkey	646	646	646	646
U.A.E.	646	646	646	646
Yemen	646	646	646	646

Legend: H=Humid; L=Light; W=Wind; L=Low; H=High; C=Cloudy; S=Snow; U=Unstable; C=Cold; J=Jawson; H=Heavy Rain; S=Heavy Snow.

Latin America

	Today		Tomorrow	
	H	L	W	L
Argentina	646	646	646	646
Bolivia	646	646	646	646
Brazil	646	646	646	646
Chile	646	646	646	646
Colombia	646	646	646	646
Ecuador	646	646	646	646
French Guiana	646	646	646	646
Guatemala	646	646	646	646
Honduras	646	646	646	646
Mexico	646	646	646	646
Nicaragua	646	646	646	646
Peru	646	646	646	646
Venezuela	646	646	646	646

Legend: H=Humid; L=Light; W=Wind; L=Low; H=High; C=Cloudy; S=Snow; U=Unstable; C=Cold; J=Jawson; H=Heavy Rain; S=Heavy Snow.

Forecast for Thursday through Saturday, as provided by Accu-Weather.



Asia

	Today		Tomorrow	
	H	L	W	L
Bangkok	646	646	646	646
Beijing	646	646	646	646
Hong Kong	646	646	646	646
India	646	646	646	646
Indonesia	646	646	646	646
Japan	646	646	646	646
Korea	646	646	646	646
Malaysia	646	646	646	646
Philippines	646	646	646	646
Singapore	646	646	646	646
Taipei	646	646	646	646
Tokyo	646	646	646	646
Tunis	646	646	646	646
Turkey	646	646	646	646
U.S.	646	646	646	646
Vietnam	646	646	646	646

	Today		Tomorrow	
	H	L	W	L
Algeria	646	646	646	646
Angola	646	646	646	646
Botswana	646	646	646	646
Cameroun	646	646	646	646
Central African Republic	646	646	646	646
Chad	646	646	646	646
Egypt	646	646	646	646
Ghana	646	646	646	646
Ivory Coast	646	646	646	646
Kenya	646	646	646	646
Liberia	646	646	646	646
Mali	646	646	646	646
Morocco	646	646	646	646
Niger	646	646	646	646
Nigeria	646	646	646	646
Rwanda	646	646	646	646
Seychelles	646	646	646	646
Sudan	646	646	646	646
Togo	646	646	646	646
Zambia	646	646	646	646

Legend: H=Humid; L=Light; W=Wind; L=Low; H=High; C=Cloudy; S=Snow; U=Unstable; C=Cold; J=Jawson; H=Heavy Rain; S=Heavy Snow.

	Today		Tomorrow	
	H			